

BUDGET 2004

ON ROUTE ON COURSE

Heading Toward Alberta's Second Century



Fiscal Plan

**PRESENTED BY
PATRICIA L. NELSON
MINISTER OF FINANCE**

in the Legislative Assembly of Alberta
March 24, 2004

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HIGHLIGHTS

BUDGET
2004

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Heading Toward Alberta's Second Century

TWENTY-YEAR STRATEGIC PLAN

- *Budget 2004* outlines a vision of Alberta's second century and a twenty-year strategic plan to achieve that vision. The strategic plan is based on four key opportunities or pillars:
 - unleashing innovation,
 - leading in learning,
 - competing in the global marketplace, and
 - making Alberta the best place to live, work and visit.
- Many of the building blocks for achieving our vision have been put in place over the last decade. More will be added with this year's budget. *Budget 2004* will:
 - increase funding for health and education,
 - address infrastructure requirements with a \$6.5 billion three-year Capital Plan,
 - enhance the Alberta Advantage by reducing corporate income tax rates, encouraging innovation, improving the quality of life of Albertans and strengthening communities, and
 - bring Alberta within striking distance of eliminating accumulated debt.

FISCAL PLAN

- The budget will be balanced every year, as required by the *Fiscal Responsibility Act*. The Contingency Allowance available for in-year initiatives averages just under \$270 million for the next three years.
- Accumulated debt will be reduced by \$1 billion to \$2.7 billion by the end of 2005-06. Since 1993-94, accumulated debt will have been cut by \$20 billion or nearly 90%, saving \$1.4 billion a year in debt servicing costs.
- Sustainability Fund assets will be maintained at \$2.5 billion to protect against short-term revenue declines and other unforeseen events.
- Over the next two years, \$706 million will be added to the Capital Account, bringing total allocations to \$2.5 billion since 2002-03. These funds are being used to pay for Capital Plan projects.
- Revenue is estimated at \$23 billion and expense at \$22.6 billion in 2004-05. Program expense will increase by \$555 million, or 2.6%. No funding has been budgeted for emergency and disaster assistance or natural gas rebates in 2004-05.

ECONOMIC OUTLOOK AND ASSUMPTIONS

- Alberta's economic growth is expected to increase to 3.6% in 2004 and average 3.1% over the medium term. 42,700 new jobs are expected in 2004 and a further 112,200 jobs over the following three years.
- Energy prices are assumed to decline:
 - Natural gas prices – Cdn\$4.20 per thousand cubic feet in 2004-05 and Cdn\$4.01 by 2006-07.
 - Oil prices – US\$26 per barrel in 2004-05 and US\$25 for the following two years.
- The U.S./Canada exchange rate is assumed to average 77 cents for the next three years.

BUDGET 2004 PRIORITIES

ENHANCING ALBERTA'S TAX AND ECONOMIC ADVANTAGES

- Indexing of Alberta's 10% single-rate personal income tax system against inflation will continue in 2004, saving Albertans about \$150 million.
- On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%, saving Alberta businesses \$142 million.
- School property tax rates will be cut by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million.
- There are no changes to other tax rates, health care insurance premiums or major fees. Alberta will remain the only province with no general retail sales tax.
- New initiatives will be undertaken to promote innovation and economic opportunities. Continued support will be provided to the agriculture sector.

PROGRAM PRIORITIES

- Learning's program spending will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05. Increased funding for school boards will give them the flexibility to address supported Learning Commission recommendations. Access to post-secondary education will improve.
- Health and Wellness program spending will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05. Spending on health programs has more than doubled over the last nine years and will continue to account for the largest share of total government spending. Actions are required to make the Alberta health system sustainable.
- Program spending will also increase for policing, seniors, children's services and other priorities.

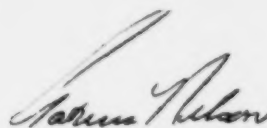
CAPITAL PLAN PRIORITIES

- The 2004-07 Capital Plan will support \$6.5 billion of capital projects over the next three years, an increase of about \$900 million from the 2003-06 Capital Plan. This level of funding is unmatched in the rest of Canada. The Capital Plan includes:
 - \$2.7 billion for provincial highway projects and municipal transportation grants.
 - \$1.1 billion for health facilities and equipment.
 - \$1.1 billion for schools and post-secondary facilities, and
 - \$1.6 billion for other capital, including community facilities, centennial projects, water and wastewater management, housing, parks and information technology.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2004 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of February 27, 2004 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.



Patricia L. Nelson
Minister of Finance and
Chair of Treasury Board
March 12, 2004

FISCAL PLAN

BUDGET
2004

ON ROUTE
ON COURSE

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Heading Toward Alberta's Second Century

"We will enter our second century with the best fiscal record in the country, the lowest tax burden, and a track record on eliminating debt that is unmatched in Canada."

Premier Ralph Klein
Televised Address
February 4, 2004

Budget 2004 includes a vision for Alberta's second century and a twenty-year strategic plan to achieve that vision. This vision sees Alberta as a vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children.

The strategic plan for achieving the vision is based on four key opportunities or pillars:

- unleashing innovation,
- leading in learning,
- competing in the global marketplace, and
- making Alberta the best place to live, work and visit.

Many of the building blocks for achieving our vision have been put in place over the last decade. More will be added with this year's budget. Over the coming years, we will continue to move forward. Not everything can be achieved at once, but we can move in the right direction with the right actions.

2004-07 Fiscal Plan

The sound fiscal policies of the last decade will continue. The 2004-07 Fiscal Plan will:

- balance the budget every year,
- bring us within striking distance of eliminating accumulated debt, and
- maintain \$2.5 billion in the Sustainability Fund to protect spending plans against revenue declines and other unforeseen events.

The Fiscal Plan will also advance the twenty-year strategic plan by:

- increasing funding for health and education, including Learning Commission recommendations,
- addressing infrastructure requirements with a three-year \$6.5 billion Capital Plan, and
- enhancing the Alberta Advantage by reducing corporate income tax rates, encouraging innovation, improving the quality of life of Albertans and strengthening communities.

Alberta will continue to have the strongest fiscal position of any government in Canada:

- Alberta is the only provincial government with net financial assets,
- Alberta has the lowest debt servicing costs as a percentage of total spending, and
- Alberta has the lowest tax burden.

"We are within striking distance of eliminating Alberta's accumulated debt."

Pat Nelson
Minister of Finance
March 24, 2004

The budget has been balanced for the last ten years and will be balanced in each of the next three years.

FISCAL SUMMARY

The budget has been balanced for the last ten years and will be balanced in each of the next three years. Over \$22 billion will be provided to support the program priorities of Albertans, two-thirds of which will be for health and education. The Contingency Allowance available for in-year initiatives averages just under \$270 million a year, slightly above the minimum legislated requirement of 1% of revenue for fiscal policy purposes.

Fiscal Summary

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Revenue	25,338	22,952	23,342	23,589
Expense				
Program	21,731	22,286	22,809	23,079
Debt servicing costs	280	363	329	315
Total Expense	22,011	22,649	23,138	23,394
Net Revenue	3,327	303	204	195
Transfer from Capital Account ^a	416	741	425	—
Transfer from (to) Sustainability Fund	(3,608)	(784)	(356)	77
Other requirements ^b	(135)	—	—	—
Contingency Allowance^c	—	260	273	272

^a Used to help pay for capital grants to local authorities.

^b The net of retained income and capital cash requirements must be set aside and is not available for transfer to the Sustainability Fund.

^c Budgeted Contingency Allowance must be equal to at least 1% of revenue for fiscal policy purposes (revenue less the resource revenue transfer to the Sustainability Fund).

The amount of resource revenue that can be used for budget purposes will be increased from \$3.5 billion to \$4 billion.

SUSTAINABILITY FUND

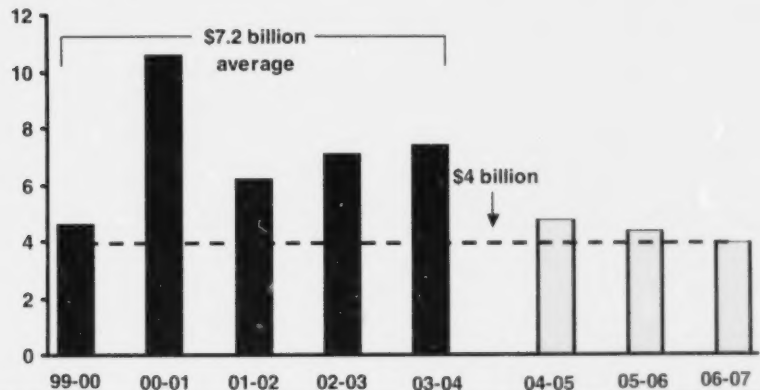
The Sustainability Fund was established last year to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters and natural gas rebates. Sustainability Fund assets reached the \$2.5 billion target level in 2003-04.

Starting in 2004-05, the amount of non-renewable resource revenue that the government can use for budget purposes under the *Fiscal Responsibility Act* will be increased from \$3.5 billion to \$4 billion. Any resource revenue above \$4 billion and other net revenue higher than budgeted will continue to be transferred to the Sustainability Fund.

This change will free up \$500 million for priority spending in areas such as education and health. All indications are that resource revenue will continue to be strong enough to maintain the value of the Sustainability Fund at the \$2.5 billion target level. Resource revenue has averaged \$7.2 billion a year for the last five years, including \$7.4 billion in 2003-04. The government will continue to monitor medium-term trends in energy prices and will adjust the amount of resource revenue used for budget purposes if conditions change.

Non-renewable Resource Revenue

(billions of dollars)



Sustainability Fund maintained at \$2.5 billion target level.

Over the next two years, \$985 million will be reallocated for debt repayment and \$706 million for the Capital Account.

If revenue is higher than budgeted, additional dollars could be reallocated to debt repayment and the Capital Account.

Over the next two years, \$1.1 billion is expected to be deposited into the Sustainability Fund from resource revenue in excess of \$4 billion. In addition, about \$600 million in cash will be deposited into the Fund, primarily from natural gas royalties accrued in 2003-04 but not received until 2004-05. These dollars are planned to be reallocated from the Sustainability Fund to the Debt Retirement Account and the Capital Account, leaving the Sustainability Fund balance at a minimum of \$2.5 billion for each of the next three years.

If revenue is higher than budgeted, additional dollars could be reallocated to debt repayment and the Capital Account. If there are costs to the Sustainability Fund from revenue shortfalls, emergencies and disasters, natural gas rebates or, starting in 2004-05, settlements with First Nations, the planned reallocations could be reduced.

Sustainability Fund

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	—	2,500	2,500	2,529
Transfer from (to) general revenues	3,608	784	356	(77)
Cash adjustments ^a	678	568	12	48
Assets prior to reallocation	4,286	3,852	2,868	2,500
Reallocation to				
Debt Retirement Account	893	726	259	—
Capital Account	893	626	80	—
Assets at end of year	2,500	2,500	2,529	2,500

^a Cash adjustments primarily reflect timing differences between when natural gas royalties are accrued and the cash is received.

Over the next three years, the Capital Account will provide nearly \$1.2 billion for capital grants to local authorities and \$720 million for government-owned capital projects.

CAPITAL ACCOUNT

The Capital Account was established in 2002-03 to provide more flexibility in capital spending. Funds can be deposited into the Capital Account in one year and carried forward to following years to pay for capital projects. The Capital Account is one of the two new ways, along with alternative financing, of funding capital projects under the new fiscal framework adopted in *Budget 2003*.

The Capital Account provides about 30% of the funding for the \$6.5 billion Capital Plan in 2004-07. Over the next three years, nearly \$1.2 billion is expected to be used for capital grants to local authorities and \$720 million for government-owned capital projects.

Capital Account

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	910	1,180	718	187
Allocations from Sustainability Fund	893	626	80	—
Use of Capital Account				
Capital grants to local authorities	(416)	(741)	(425)	—
Government-owned capital	(207)	(347)	(186)	(187)
Assets at end of year	1,180	718	187	—

DEBT REPAYMENT

The province is on the verge of eliminating accumulated debt. By the end of 2003-04, accumulated debt will be less than \$5 billion and over \$1.2 billion will be in the Debt Retirement Account to repay debt as it matures in future years. This reduces accumulated debt, net of cash set aside, to \$3.7 billion at the end of 2003-04.

Accumulated Debt

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Debt at start of year	8,416	6,746	4,955	3,466	2,729
Repayment of debt maturities	(1,670)	(1,791)	(1,489)	(737)	—
Debt at end of year	6,746	4,955	3,466	2,729	2,729
Less: Debt Retirement Account	2,010	1,241	478	—	—
Debt less cash set aside	4,736	3,714	2,988	2,729	2,729

Accumulated debt will be cut to \$2.7 billion by the end of 2005-06, down nearly 90% from 1993-94.

Planned allocations for debt repayment of close to \$1 billion over the next two years will reduce accumulated debt to \$2.7 billion by the end of 2005-06. Accumulated debt will have been cut by \$20 billion, or nearly 90%, from the peak in 1993-94. If resource revenue is stronger than assumed, the province may be able to eliminate the remaining accumulated debt in the next few years.

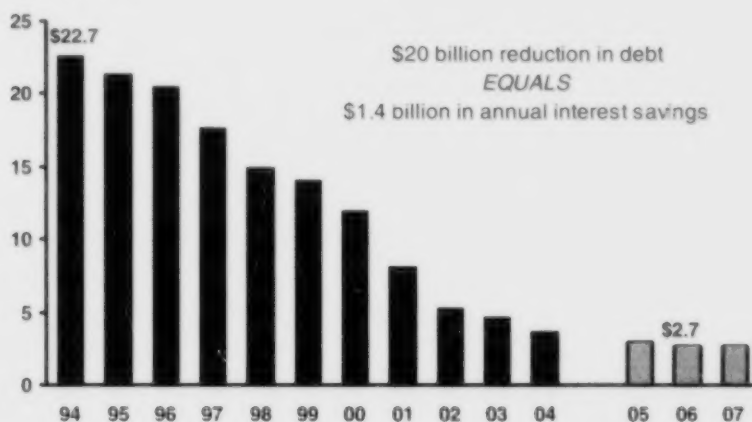
Annual debt servicing costs have fallen from over \$1.7 billion in 1994-95 to \$363 million in 2004-05 and are expected to fall to \$315 million by 2006-07. The \$1.4 billion in annual savings has been reinvested in Albertans' priorities.

\$1.4 billion annual saving in interest costs has been reinvested in Albertans' priorities.

Accumulated Debt

at March 31

(billions of dollars)



Enhancing Alberta's Tax Advantage

Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. This benefits Albertans directly by leaving more money in their hands to spend on their own priorities. Our tax advantage also enables Alberta to compete in the global marketplace for new investment and high quality jobs.

Alberta's tax advantage will be enhanced in 2004-05:

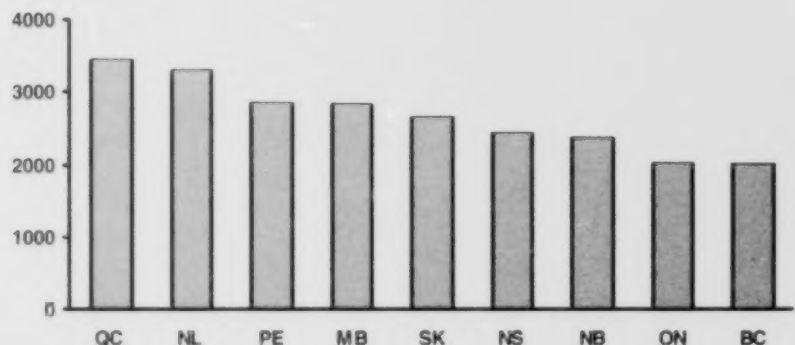
- Indexing of Alberta's 10% single-rate personal income tax system to protect against inflation will continue in 2004, saving Albertans about \$150 million this year.
- On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%, saving Alberta businesses \$142 million in 2004-05. This completes the planned reductions to the small business rate. Further reductions to the general rate, toward the target of 8%, will proceed as affordable.
- School property tax rates will be cut by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million. Rates will be cut to \$5.44 for residential and farm property and \$7.99 for non-residential property per \$1,000 of assessment. This is the eleventh consecutive year that rates have been either frozen or reduced.

Alberta will remain the only province with no general retail sales tax. Alberta's total tax advantage for individuals and businesses will increase to about \$2,000 per person over the next lowest province, British Columbia.

On April 1, the general corporate income tax rate will be cut from 12.5% to 11.5% and the small business rate will be cut from 4% to 3%.

Alberta Tax Advantage

(dollars per capita)



This graph shows, on a per capita basis, the total additional provincial taxes, health care insurance premiums and liquor markups that individuals and businesses would pay if Alberta had the same tax systems as other provinces.

Alberta's tax advantage is over \$2,000 per capita.

Program and Capital Priorities

Albertans have told us that they want:

- further improvements to their world-class learning system,
- a quality health system that is sustainable,
- modern and efficient infrastructure, and
- the Alberta Advantage enhanced by encouraging innovation, improving their quality of life and strengthening communities.

Budget 2004 responds to Albertans' priorities. Program expense will increase to \$22.3 billion in 2004-05 and \$23.1 billion by 2006-07.

\$22.3 billion for Albertans' program priorities.

Learning program spending will increase by 5.7% to \$5.3 billion in 2004-05.

Learning program spending will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05 and reach \$5.7 billion by 2006-07. Increased funding will give school boards flexibility to address the supported recommendations of the Learning Commission, based on local priorities. In the post-secondary system, new spaces will be created for high-priority programs and student assistance will be increased.

Health and Wellness program spending will increase by 8.4% to \$8 billion in 2004-05.

Health and Wellness program spending will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05 and reach nearly \$8.8 billion by 2006-07. Actions will continue to improve and reform health care by expanding use of information technologies, improving ground ambulance services and enhancing primary care.

The 2004-07 Capital Plan will directly support \$6.5 billion in capital projects and equipment.

Other ministries' program spending will total \$9 billion in 2004-05. Increases are being provided for priority areas, including policing, seniors, children and capital grants to local authorities.

The **2004-07 Capital Plan** will directly support \$6.5 billion in capital asset acquisition, upgrading and rehabilitation, an increase of about \$900 million from the 2003-06 Capital Plan. Over the next three years, the Capital Plan will support capital spending of:

- \$2.7 billion for the provincial highway network and municipal transportation grants,
- \$1.1 billion for health facilities and equipment,
- \$1.1 billion for schools and post-secondary facilities, and
- \$1.6 billion for other capital.

Alberta's commitment to addressing infrastructure needs is, by far, the strongest of any government in Canada.

Program and Capital Spending

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Program expense	20,053	21,731	22,286	22,809	23,079
Debt servicing costs ^a	476	280	363	329	315
Total Expense	20,529	22,011	22,649	23,138	23,394
Capital Plan^b	997	1,640	2,393	2,223	1,842

^a The sudden appreciation of the Canadian dollar in 2003-04 resulted in foreign exchange valuation adjustment savings, significantly reducing debt servicing costs in that year.

^b Capital Plan includes capital grants to local authorities and highway planning and rehabilitation costs, which are also reported in program expense.

Program expense will increase by 2.6% in 2004-05.

Program Priorities

Program expense will increase by 2.6% in 2004-05. Excluding expense for capital purposes and the 2003-04 funding for disasters, emergencies and natural gas rebates, the increase in base operating spending is 6.1%, or \$1.2 billion, this year. This is the increase being provided for ongoing operating costs of new and existing government programs. Over the next three years, base operating expense is targeted to increase by \$2.7 billion.

Expense for capital purposes includes capital grants to local authorities, highway planning and rehabilitation, and amortization of provincial government-owned capital assets. Capital expense increases by over \$500 million in 2004-05, primarily due to an increase in capital grants to school boards, post-secondary institutions and health authorities. Capital expense declines in the following two years, in part due to alternative financing of some local authority projects. Only the cost of financing, not the value of these projects, is reported in expense.

Capital grants are primarily provided by the Infrastructure and Transportation ministries. Further details are contained in the Capital Plan section.

Program Expense

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target	3-year Change
Base operating expense	19,156	20,316	21,208	21,831	2,675
Expense for capital purposes ^a	1,444	1,970	1,601	1,248	(196)
Sustainability Fund transfers for					
Emergencies and disasters	915	—	—	—	(915)
Natural gas rebates	216	—	—	—	(216)
Total Program Expense	21,731	22,286	22,809	23,079	1,348
Percentage increase					
Base operating expense		6.1	4.4	2.9	14.0
Total program expense		2.6	2.3	1.2	6.2

^a Includes capital grants to local authorities, highway planning and rehabilitation, and capital amortization. Does not include capital investment in government-owned capital assets and the value of alternatively financed capital projects of local authorities.

LEADING IN LEARNING

Excellence in learning continues to be a top priority of Albertans. Achieving Alberta's vision for the future will require well-educated, skilled and adaptable citizens.

BASIC LEARNING (KINDERGARTEN TO GRADE 12)

Total ongoing support for basic learning will increase by \$216 million, or 5.8%, to \$3.9 billion in 2004-05. By 2006-07, support will reach \$4.3 billion, an increase of \$607 million, or 16.4%, over the next three years. This includes support for public and separate school boards, private schools, student health, the Alberta Initiative for School Improvement, the Learning Resources Centre and teachers' pensions.

Alberta's Commission on Learning

Alberta's Commission on Learning made 95 recommendations, setting out new directions and specific actions. The government is supporting 86 of the recommendations, including:

- class-size guidelines,
- greater emphasis on physical activity and wellness, fine arts and second-language learning, and
- an increased focus on supporting Aboriginal students and students with special needs.

Work with stakeholders to develop and execute implementation plans for these recommendations has already begun and more will be done over the next five years. Three recommendations – establishing junior kindergarten and full-day kindergarten programs, and implementing a new collective bargaining process – remain under review.

Support to School Boards

In the 2004-05 fiscal year, ongoing support to public and separate school boards will increase by \$189 million, or 6%, to \$3.36 billion. The increase will be funded, in part, by drawing down the net assets of the Alberta School Foundation Fund from \$66 million to \$30 million. In 2003-04, the government provided a \$20 million one-time allocation for school boards to purchase classroom resources.

In November 2003, an in-year funding increase was provided to school boards to address immediate needs identified by the Commission. This Learning funding increase is annualized in 2004-05.

A new funding framework will be fully implemented in September 2004, as recommended by the Commission. Under the new funding framework, increases to school boards will vary based on their individual needs and circumstances. Boards will have increased flexibility to address local priorities, including student needs and class size. Coupled with the increased flexibility is increased accountability for achieving expected outcomes.

Work is underway to implement 86 supported Learning Commission recommendations.

Ongoing support to school boards will increase by 6% to \$3.4 billion in the 2004-05 fiscal year.

By 2006-07, ongoing support to public and separate school boards will reach \$3.7 billion, a three-year increase of \$532 million, or 16.8%. No general enrolment growth is expected over the next three years. The rate of increase in funding exceeds the expected rate of inflation and other volume increases, providing school boards with flexibility to address the government-supported recommendations of the Learning Commission.

Other Basic Learning Support

Other basic learning support will increase by \$27 million, or 5.3%, to \$545 million in 2004-05, consisting of:

- teachers' pensions – by \$16.2 million, or 6.3%, to \$275 million,
- student health services – by \$4.4 million, or 13.3%, to \$37 million,
- private schools – by \$4.4 million, or 3.7%, to \$121 million, and
- other programs, including the Learning Resources Centre and the Alberta Initiative for School Improvement – by \$2.3 million, or 2.1%, to \$112 million.

Other basic learning support will increase to \$593 million by 2006-07.

\$636 million for school capital over the next three years.

Support for School Facilities

\$636 million in school capital projects will be supported over the next three years through the Ministry of Infrastructure. Infrastructure also provides about \$350 million a year for the operation and maintenance of school facilities.

Basic Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Ongoing support to school boards	3,175	3,364	3,535	3,707
Teachers' pensions and other support	518	545	567	593
Ongoing basic learning support	3,693	3,909	4,102	4,300
Classroom resources (one-time initiative)	20	—	—	—
Basic Learning	3,713	3,909	4,102	4,300

ADULT LEARNING

A new legislative framework is in place that will guide the adult learning system into the future. The *Post-Secondary Learning Act* and significant investments in adult learning will make the adult learning system more adaptable and seamless.

Support to Post-Secondary Institutions

In 2004-05, ongoing operating funding to post-secondary institutions will increase by \$85 million, or 7.5%, to \$1.22 billion. This excludes \$40 million in one-time allocations for performance, and operations and maintenance provided in 2003-04.

Ongoing operating funding to post-secondary institutions will increase by 7.5% to \$1.2 billion in 2004-05.

Base operating grants will increase by 4% this year. In addition, increased funding is being provided through the Access Fund to create up to 2,000 new spaces over four years for priority programs, and to enhance apprenticeship programs. Funding will also be provided to support the merger of the University of Alberta and Augustana University College in Camrose.

Student Assistance

Funding for scholarships, bursaries and grants to students will increase by \$6.2 million, or 10.9%, to \$63 million in 2004-05. About 27,700 students will receive scholarships.

Alberta expects to disburse \$97 million in student loans in 2004-05. Loan limits for students in Law, Medicine and MBA programs will increase. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will reduce the debt of students in their first and final years of study by about \$39 million.

Alberta Centennial Education Savings Plan

Alberta will make a significant new investment to encourage parents to save for their children's education and help students pay the future costs of a post-secondary education. Beginning on January 1, 2005, the new Alberta Centennial Education Savings Plan will provide a one-time \$500 contribution to a Registered Education Savings Plan (RESP) for each child born to, or adopted by, an Alberta family. An additional \$100 will be provided to an RESP for children attending school in Alberta at ages 8, 11, and 14, starting with children born in 2005. The first \$100 grants will be issued in 2013.

Support for Post-Secondary Facilities

\$416 million in post-secondary capital projects will be supported over the next three years through the ministries of Infrastructure and Revenue.

About 27,700 students will receive scholarships.

New Alberta Centennial Education Savings Plan.

\$416 million for post-secondary capital over the next three years.

Adult Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Support to post-secondary institutions	1,135	1,220	1,239	1,267
Support to post-secondary learners	99	106	108	109
Student loan provision	58	60	67	67
Centennial Education Savings Plan	—	4	20	20
Net one-time ^a	5	—	—	—
Adult Learning	1,297	1,390	1,434	1,463

^a In 2003-04, \$40 million in one-time support was provided to post-secondary institutions. This was mostly offset by a one-time \$35 million reduction in the statutory provision for student loans to reflect a revaluation of the liability recorded in prior years.

Program spending by the Ministry of Learning will increase by \$284 million, or 5.7%, to \$5.3 billion in 2004-05.

TOTAL MINISTRY PROGRAM SPENDING

In total, program spending by the Ministry of Learning will increase by \$284 million, or 5.7%, to almost \$5.3 billion in 2004-05. By 2006-07, Learning's program spending will exceed \$5.7 billion, a \$734 million, or 14.7% increase over the next three years. This excludes school property tax revenue for opted-out school boards, which is expected to grow from \$161 million in 2003-04 to \$171 million in 2004-05 and \$190 million by 2006-07.

Ministry of Learning

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Basic learning support	3,713	3,909	4,102	4,300
Adult learning support	1,297	1,390	1,434	1,463
Program delivery/support services	139	144	146	149
Total learning support	5,149	5,443	5,682	5,912
Opted-out boards' property tax revenue	(161)	(171)	(181)	(190)
Ministry of Learning Program Spending	4,988	5,272	5,501	5,722
Annual increase		284	229	221
Percentage increase		5.7	4.3	4.0

Actions are required to make Alberta's health system sustainable.

A SUSTAINABLE HEALTH SYSTEM

Albertans expect to have access to quality health care when they need it. The costs of meeting this expectation have been rising rapidly. Health care costs will continue to rise as Alberta's population grows and ages, and as new, expensive technologies and drugs are introduced. Actions are required to make Alberta's health system sustainable.

A MORE EFFECTIVE AND EFFICIENT HEALTH SYSTEM

Steps are continuing to utilize health care dollars as effectively and efficiently as possible. Key initiatives include:

- Local primary-care physician groups will start to manage access to primary care 24 hours a day, seven days a week, in communities across the province.
- Alternative payment plans will allow academic physicians to spend more time with their patients and the medical students they are training.
- Use of electronic health records is being expanded to allow health professionals quicker access to health records.
- Advances in information technology and management are allowing for expansion of tele-health services to more areas, providing rural residents and their physicians with greater access to specialists' advice in their communities.

- Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions over the next two years so ambulance services can be better integrated with services provided by health regions.

FISCAL CHALLENGES IN HEALTH CARE

These initiatives are important but more fundamental changes will be required. An ever-increasing share of provincial spending has been going to health care. Over the last nine years, program spending on health has more than doubled, with health receiving almost 50 cents of every dollar in increased government program spending. This has resulted in health's share of total program spending increasing from 30% in 1995-96 to 38% in 2004-05.

This rate of increase is not sustainable. Alberta, like every other province in Canada, is facing hard decisions about health care services and how they should be funded. We have as much at stake as other provinces in developing a sustainable health system.

Serious discussions with the federal government and other provinces about health reform are needed. At their Council of the Federation meeting in February, Premiers directed Ministers of Health and Finance to identify, by July, challenges and opportunities relating to health care reform and sustainability. Federal, Provincial and Territorial First Ministers will meet later this year on health care. These discussions must lead to concrete actions.

Alberta will not wait if other governments are not ready to act. We are willing to act on our own. Albertans can expect to hear more this year about new ways of sustaining the health care system.

HEALTH AND WELLNESS SPENDING

Program spending by the Ministry of Health and Wellness will increase by \$618 million, or 8.4%, to \$8 billion in 2004-05. For the following two years, spending will rise by 5.7% and 3.8%. By 2006-07, program spending will be nearly \$8.8 billion, a three-year increase of \$1.4 billion, or 18.9%.

Health Authorities

The largest component of health spending is support to health authorities. In 2003-04, most of the health authorities depleted their accumulated surpluses to pay for services they considered essential. To continue and expand these services where needed, provincial funding for the health authorities will increase by \$390 million, or 8.4%, to \$5 billion in 2004-05. This includes support for specialized services like heart surgeries, hip replacements and psychogeriatric care provided centrally for the whole province. Funding increases of 4.6% in 2005-06 and 4.9% in 2006-07 are planned for health authorities.

Almost 50 cents of every dollar in increased program spending has gone to health over the last nine years.

Program spending by the Ministry of Health and Wellness will increase by 8.4% to \$8 billion in 2004-05.

Funding for the health authorities will increase by 8.4% in 2004-05.

Other Spending Highlights

The Ministry's 2004-05 budget also provides:

- over \$1.5 billion for physician services, an increase of \$67 million, or 4.6%, to implement the agreement with the Alberta Medical Association.
- \$532 million for non-group health benefits, an increase of \$76 million, or 16.7%, largely for volume and cost increases of drug benefits provided to seniors.
- \$66 million for the Alberta Alcohol and Drug Abuse Commission, an increase of \$5 million, or 8%, including \$3 million to enhance programs to prevent problem gambling and alcohol abuse, expand treatment capacity and undertake more research, and
- \$3 million for the West Nile Virus initiative on top of the \$4 million provided late in 2003-04.

\$3 million for the West Nile Virus initiative on top of the \$4 million provided late in 2003-04.

HEALTH CAPITAL PLAN

The 2004-07 Capital Plan will support \$1.1 billion in health capital projects and information technology systems over the next three years, including \$163 million for new projects. Funding is primarily provided through the Ministry of Infrastructure.

Health and Wellness

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Program expense	7,378	7,996	8,450	8,772
Annual increase		618	454	322
Percentage increase		8.4	5.7	3.8

THE BEST PLACE TO LIVE, WORK AND VISIT

STRONG AND SAFE COMMUNITIES

Budget 2004 will strengthen Alberta's rural and urban communities:

- a new funding model for policing will be introduced,
- ground ambulance services will be restructured and provincial funding increased,
- a new rural development strategy will be introduced,
- community, historic and cultural facilities are being upgraded as part of the province's centennial celebration,
- municipalities and local community organizations will receive over \$1.2 billion in capital grants over the next three years for transportation, water and wastewater management, and other infrastructure, and
- interest-free loans will continue to be available to municipalities to improve energy efficiency.

Budget 2004 will strengthen Alberta's rural and urban communities.

A new funding model for policing will be implemented on April 1, 2004.

Policing

In response to the MLA Review of Policing, provincial support for policing will increase by \$58 million, or 50%, to \$174 million in 2004-05. The increase includes \$16.5 million reallocated from the existing Unconditional Municipal Grant program.

A new funding model for policing will be implemented on April 1, 2004:

- Municipalities with populations under 5,000 will no longer pay for policing. Increasing the population threshold from 2,500 to 5,000 means that 20 additional municipalities will no longer pay for policing. The additional cost to the provincial government will be \$9 million.
- A new policing grant of \$16 per capita will be introduced for municipalities required to pay for policing, providing \$37 million in assistance.
- Only municipalities that pay for policing will be entitled to receive provincial fine revenue. Planned legislation will implement this change for 2005-06.

New funding of \$12 million in 2004-05 will maintain the current RCMP complement of provincial police service officers in Alberta, support the integrated response to organized crime, enhance crime prevention and restorative justice programs, increase funding for First Nations policing, and address other critical policing issues and the MLA recommendations.

Ambulance Services

Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions. This will improve the coordination of ground ambulance services with health authority services, particularly in rural areas.

In 2004-05, \$13 million has been set aside to begin this change. In 2005-06, funding will rise to \$55 million per year as ground ambulance services are integrated with regional health services. This will free up municipal tax dollars for other uses.

Governance and funding responsibility for ground ambulance services will be shifted from municipalities to health regions.

Celebrating Alberta's Centennial

Alberta will celebrate its centennial in 2005. To mark this occasion, the government is providing \$225 million for centennial projects, primarily to construct and upgrade community, historic and cultural facilities. \$109 million has been provided over the last four years to start planning and construction. The remaining \$116 million will be allocated primarily in 2004-05 and 2005-06.

- Centennial Legacy Grants and Centennial Legacy Partnerships are providing a total of \$113 million to assist municipalities and not-for-profit groups in constructing or renovating major public facilities, such as museums, pools, arenas, community centres, parks and theatres, and for other smaller projects.

\$225 million for centennial projects.

- \$106 million is being provided to upgrade community, historic and cultural facilities owned by the provincial government, including the Jubilee Auditoria, the Provincial Museum, the Provincial Archives and the Royal Tyrrell Museum. The Jubilee Auditoria friends societies contributed \$12 million to the Auditoria projects.
- \$6 million is being provided for recognition, awareness and celebratory activities, including a Royal visit.

Municipal Energy Efficiency Assistance Program

The *ME first!* program, introduced in September 2003, is providing \$100 million in interest-free loans to Alberta municipalities for energy efficiency improvements.

HELPING ALBERTANS

Alberta will continue to provide fair and compassionate programs to those who need support. Over 10% of the budget, or \$2.4 billion, will be allocated in 2004-05 for social service programs, an increase of \$103 million or 4.5%.

Over 10% of the budget will be allocated for social service programs.

Services for Children

Protecting and supporting children and strengthening families are vital investments in Alberta's future. Children's Services spending will increase by \$33 million, or 4.6%, to \$742 million in 2004-05, and will reach \$784 million by 2006-07, an increase of 10.5% over the next three years.

Children's Services spending will increase by 4.6% to \$742 million in 2004-05.

New legislation will be implemented. The *Child, Youth and Family Enhancement Act* will provide greater accountability for the safety and well-being of children under government protection. The *Family Support for Children with Disabilities Act* will provide greater assurance that children with disabilities will receive appropriate services based on their assessed needs. Services for children with disabilities will receive a 25% funding increase over the next three years.

Programs that promote the development and well-being of children, youth and families will also be strengthened:

- Early intervention programs will continue, including an additional \$3 million for Fetal Alcohol Syndrome programs.
- \$10 million will be provided for new parent resource centres to assist parents in providing a healthy start for their children.
- Funding for family violence prevention programs will increase by 60% over the next three years. A new comprehensive, community-based provincial response to family violence will be developed based on information and recommendations from a series of regional workshops, which will culminate in a Roundtable on Family Violence and Bullying in May.
- In addition, the Alberta Works program of Human Resources and Employment will provide financial assistance to help people fleeing family violence make a fresh start.

The Maintenance Enforcement Program will be strengthened.

The Maintenance Enforcement Program of the Ministry of Justice will be strengthened to increase the collection rate on behalf of Alberta children registered under the program. More financial disclosure will be required, deterrent penalties will be introduced, the issuance of hunting, fishing and professional licences will be restricted, lottery winnings will be applied to payments, and locked-in retirement accounts will be accessed.

Persons with Disabilities

An Office for Disability Issues will be established to encourage greater cross-government coordination and more effective planning of programs for Albertans with disabilities, promote positive attitudes toward persons with disabilities, and raise awareness of disability issues. The Premier's Council on the Status of Persons with Disabilities will provide expert advice to the Office.

Funding for the Assured Income for the Severely Handicapped (AISH) program will increase by \$20 million, or 5.3%, to almost \$394 million in 2004-05, and will reach \$433 million by 2006-07, an increase of 16% over the next three years. The increases will accommodate rising caseloads and health benefit costs.

Funding for Persons with Developmental Disabilities will increase by \$25 million, or 5.6%, to \$468 million in 2004-05, and will reach \$497 million by 2006-07, an increase of 12% over the next three years. Increases are being provided for rising caseloads and costs.

Seniors

About \$11 million will be added to the Alberta Seniors Benefit for expected increases in the number of eligible seniors and the full-year cost of assistance with the August 1, 2003 increase in long-term care accommodation rates.

The budget also includes \$10 million per year to enhance support for seniors, the details of which will be announced in the near future.

Low-income Albertans

A new program, Alberta Works, will integrate income support, employment and training services, health benefits and child support services. The new structure will improve coordination of benefits and services for low-income Albertans who need support to find a job or meet their basic needs.

The Alberta Child Health Benefit and the Adult Health Benefit are part of Alberta Works. These programs provide health benefits to children in low-income families, qualified adults leaving income support programs for training or work and qualified former AISH recipients. Funding will increase by \$11 million or 44% over the next three years.

The Alberta Family Employment Tax Credit will continue to assist low and middle income working families with refundable tax credits of up to \$500 per child, to a maximum of \$1,000 per family.

Provincial funding in the Capital Plan under the Canada/Alberta Affordable Housing Agreement has been increased to support the construction of rental accommodation that is more affordable to lower income Albertans.

Increased funding for seniors' programs.

Funding for the Alberta Child Health Benefit and Adult Health Benefit will increase by 44% over the next three years.

COMPETING IN THE GLOBAL MARKETPLACE

The Alberta Advantage is based on low taxes, safe and efficient regulatory systems, and highly productive businesses and workers. We will continue to help Alberta industries adjust to international and national developments.

Alberta's Agriculture Industry

The last four years have been difficult for Alberta farmers and ranchers. Consecutive years of drought, coupled with the temporary closure of borders to live cattle and beef, have created serious hardships.

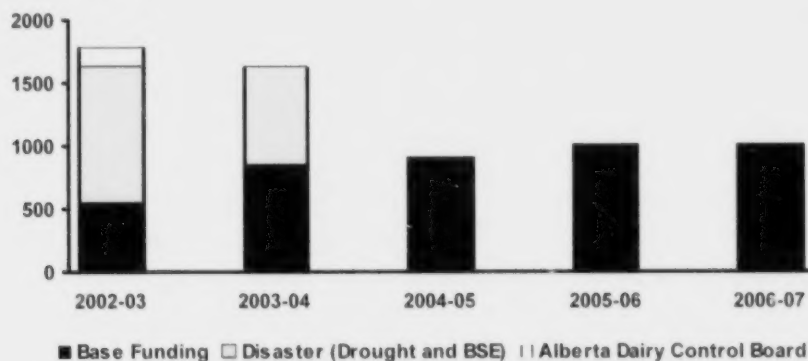
The government has responded with farm income and Bovine Spongiform Encephalopathy (BSE) assistance, and enhanced crop insurance programs. In 2003-04, \$776 million was provided for one-time disaster payments to the agriculture sector in response to the temporary border closures. The cost of this assistance was partially offset by increased federal agriculture transfers.

The base budget of Agriculture, Food and Rural Development will increase by 19% to over \$1 billion by 2006-07.

Agriculture, Food and Rural Development's base budget has also been increased. In 2003-04, an increase of over 50% was provided primarily for safety-net programs. Over the next three years, the base budget will increase by a further 19% to over \$1 billion by 2006-07. Part of the spending increase will be offset by increased federal contributions.

Agriculture Programs

(millions of dollars)



Enhanced safety-net programs will continue to provide assistance.

Enhanced safety-net programs will continue to provide assistance when required. The new five-year federal/provincial/territorial Agricultural Policy Framework agreement focuses on:

- risk management for the agriculture and food industry,
- food safety surveillance and monitoring,
- environmental planning and management,
- farm-sector change management, and
- science and innovation investment.

Alberta producers will be able to protect against drops in farming income through the new Canadian Agricultural Income Stabilization program. This whole-farm program is available to eligible farmers and ranchers regardless of the commodities they produce.

As part of the plan to increase animal health surveillance, the Capital Plan provides \$11 million over 2003-04 and 2004-05 to construct a level III biocontainment laboratory. This will allow for testing tissue samples for suspected cases of transmissible spongiform encephalopathies.

Income Trusts and Unlimited Liability Corporations

Income trusts are becoming a significant part of Alberta's business sector and another source of investment in Alberta. Long established in the resource sector, income trusts are increasing in popularity and are now being used in other sectors of the economy. By transforming themselves into income trusts, companies can significantly reduce, or entirely eliminate, their corporate income taxes. Instead, they flow their income directly to investors, who then may pay personal income taxes on the income.

Market opportunities for income trusts have increased and the industry is growing throughout Canada. Income trusts provide for the distribution of the available cash flow to the investor while retaining liability in the operating entity. The trust sector has asked several provincial governments to pass legislation explicitly confirming the limited liability provided to investors. This legislation would likely increase the potential for investment by institutional investors, including pension funds.

The introduction of unlimited liability corporations would also enhance Alberta's reputation as a business-friendly jurisdiction. Nova Scotia is currently the only jurisdiction in Canada where an unlimited liability corporation can be incorporated.

Alberta will introduce legislation this fiscal year to deal with income trusts and unlimited liability companies.

Other Competitiveness Initiatives

- An Alberta Office will be opened in Washington, D.C. to advance the province's economic and policy interests and expand Alberta's contacts with top American decision-makers.
- Ongoing funding for tourism marketing and development will be increased to \$24 million a year.
- In response to the success of Alberta's film industry, an extra \$1 million of in-year funding was added to the Film Development Program in 2003-04, increasing funding to \$11 million. Funding will continue at this enhanced level for the next three years.
- Climate change and the potential impact of the Kyoto Protocol on Alberta remain priorities. Funding of Alberta's Climate Change Action Plan will increase to \$13 million in 2005-06.
- Funding for consultations with Aboriginal peoples about land use issues will be increased to \$10 million per year.

Tourism funding increased to \$24 million a year.

Funding for consultations with Aboriginal peoples about land use issues will increase to \$10 million per year.

UNLEASHING INNOVATION

Maintaining our strong economy requires creating new opportunities by applying knowledge and technology. We must also manage our resources wisely to maximize the benefits for current and future generations of Albertans.

Spending by Alberta's research endowment funds will increase by 16% to \$72 million in 2004-05.

Research and Innovation

- **Research endowment funds** – Alberta's endowment funds will continue to support medical research and science and engineering research. Spending by the two funds is expected to increase by \$10 million, or 16%, to \$72 million in 2004-05 and reach \$76 million by 2006-07.
- **Innovation Program** – Future success in both the public and private sector will increasingly depend on the ability to innovate. A new Innovation Program will be established to help develop innovative ideas and initiatives that improve service delivery to Albertans or encourage innovation in the Alberta economy. The program will provide transitional funds, not long-term assistance. Funding will be \$7 million in 2004-05, growing to \$15 million in 2006-07.
- **Alberta Energy Innovation Strategy** – Alberta will continue to lead the way in energy innovation and research. Public and private sector partners from across Canada and around the world will be linked to develop innovations in priority areas such as oil sands upgrading, clean coal technology, water resource management, enhanced conventional oil and gas recovery, alternative energy sources and greenhouse gas emission reduction through carbon dioxide management.
- **ICT Institute** – An ICT Institute will be developed to guide research and innovation and increase Alberta's expertise in information and communications technology.
- **Life Sciences Institute** – The Life Sciences Strategy will continue to be implemented. A Life Sciences Institute will be created to link, coordinate and encourage cross-sector research and development in areas such as agriculture, environment, forestry, health, bioenergy and water.
- **Prion Research** – The government will work toward cooperative research in prion sciences, with an initial focus on BSE.
- **Alberta SuperNet** – The SuperNet will provide access to high-speed broadband networks for 422 communities and about 4,200 schools, health facilities, libraries and government facilities across Alberta. The project is expected to be substantially completed in 2004-05.

The SuperNet will provide access to high-speed broadband networks for 422 communities across Alberta.

Implementation of the water strategy will begin.

Water Strategy

The government worked with Albertans to develop a comprehensive strategy to effectively manage the province's limited water resources. To begin implementation of the *Water for Life: Alberta's Strategy for Sustainability*:

- Increased funding of \$5 million per year is being provided for various activities, including creation of a Provincial Water Advisory Council, enhancement of drinking water quality and safety programs, improved watershed planning and management, and collection and analysis of data.
- The Capital Plan includes a \$41 million increase over the next three years for water and wastewater treatment facilities, upgrades to water and wastewater systems in provincial parks, and enhancements to the province's network of water monitoring stations.

Capital Plan

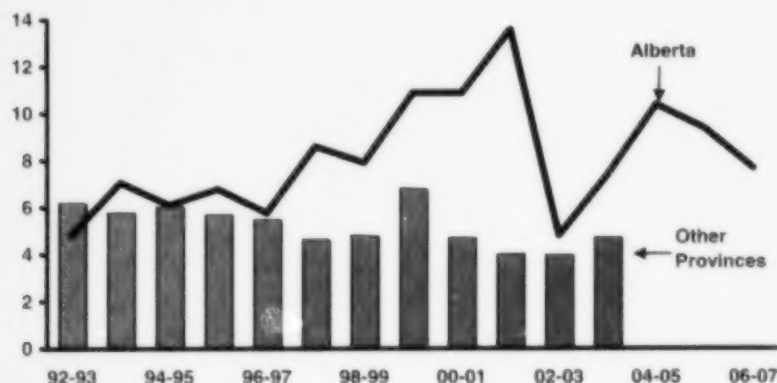
Three-year Capital Plan increased by about \$900 million to \$6.5 billion.

The 2004-07 Capital Plan commits the government to supporting the construction, acquisition, upgrading and rehabilitation of \$6.5 billion of infrastructure over the next three years. This is about \$900 million more than was committed in the 2003-06 Capital Plan.

Alberta's capital spending will continue to lead the country as a percentage of total spending.

Interprovincial Comparison of Capital Expenditure

(% of total spending)



Source: Dominion Bond Rating Service Limited, The Canadian and Provincial Governments - 2003 Overview, February 2004. Alberta data for 2002-03 to 2006-07 has been updated by Alberta Finance to reflect the latest Capital Plan information.

Over the next three years, the Capital Plan will support capital spending of:

- \$2.7 billion for the provincial highway network and municipal transportation grants,
- \$1.1 billion for health facilities and equipment,
- \$1.1 billion for schools and post-secondary facilities, and
- \$1.6 billion for other capital.

Capital Plan Summary

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Provincial highway network	587	577	577	1,741
Municipal transportation grants	324	308	302	934
Health facilities and equipment	433	424	236	1,093
Schools	221	202	213	636
Post-secondary facilities	228	100	88	416
Water and wastewater management	89	89	89	267
Community facilities and centennial projects	95	81	56	232
Other infrastructure programs	163	77	42	282
Other government capital and information technology	253	365	239	857
Total Capital Plan	2,393	2,223	1,842	6,458

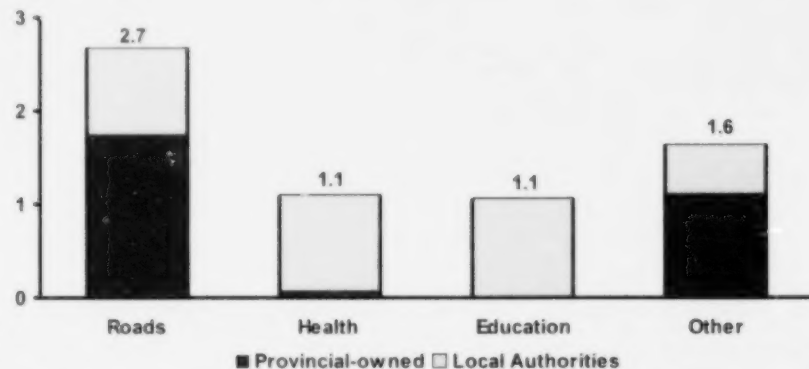
The Capital Plan supports about \$3.5 billion of local authorities' capital and nearly \$3 billion of provincial government capital.

About \$3.5 billion of capital projects by local authorities will be supported, including projects of school boards, post-secondary institutions, health authorities and municipal governments. This is an increase of about \$300 million from the 2003-06 Capital Plan. Nearly \$3 billion in provincial government-owned capital projects will be supported, an increase of about \$600 million from the 2003-06 Capital Plan.

More details are contained in the *2004-07 Capital Plan* chapter.

Capital Plan – Support for \$6.5 Billion of Capital Projects

(billions of dollars)



Funding Sources

The fiscal framework adopted in *Budget 2003* allows the government to address Alberta's infrastructure needs more systematically. Previously, the amount allocated in a particular year for capital depended on whether resource revenue was high or low. In good years, spending was added to the approximately \$1.1 billion base capital budget. When the resource revenue outlook was not as strong, capital spending was held closer to the base amount. This made capital planning difficult.

Capital funding for the next three years is nearly double what was previously included in the base budget.

Alternative financing for \$1.2 billion in capital projects, including public-private partnerships.

Two government public-private partnerships have been identified – the Calgary Courts Centre and the Edmonton Southeast Ring Road.

With the establishment of the Capital Account and the use of alternative financing, the government now has flexibility to make more predictable, longer-term capital commitments. We have also been able to nearly double capital funding for the next three years over what was previously included in the base budget. The \$6.5 billion 2004-07 Capital Plan is funded from three sources:

- Current-year revenues – \$3.4 billion, or slightly over half, will be funded from current-year revenues. This used to be the only source of funding for capital.
- Capital Account – \$1.9 billion, or about 30%, will be funded from the Capital Account. These are dollars that are set aside for capital purposes from previous years' surpluses.
- Alternative Financing – \$1.2 billion in capital projects will be funded by alternative financing, including public-private partnerships (P3s).

Capital Plan Funding Sources

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Current-year revenue	1,154	1,082	1,108	3,344
Capital Account	1,088	611	187	1,886
Alternative financing				
Government public-private partnerships	151	330	222	703
Local authorities' projects	—	200	325	525
Total Capital Plan Funding	2,393	2,223	1,842	6,458

Two government public-private partnerships have been identified – the Calgary Courts Centre and the Edmonton Southeast Ring Road. Construction of both projects is expected to begin this year and be completed over the next three to four years. Once the projects are completed, the government will begin making annual lease payments for operating costs, and the principal and interest costs of the private-sector financing.

These two projects account for about \$700 million of the \$1.2 billion of alternative financing that is expected to occur over the next three years. The remaining \$525 million of alternative financing is planned for local authorities' projects included in the Capital Plan, starting in 2005-06. It has not yet been determined which specific projects will be alternatively financed or the methods of financing. The Advisory Committee on Alternative Capital Financing will review each proposal.

Comparison of the Capital Plan and Expense for Capital Purposes

The \$6.5 billion Capital Plan represents the value of capital assets being acquired, upgraded or rehabilitated through the direct support of the provincial government. It includes:

- capital grants to local authorities,
- the value of alternatively financed capital projects of local authorities being supported by the provincial government,
- costs of planning and rehabilitation work on the provincial highway network, and
- the value of government-owned capital assets being acquired or upgraded either directly or through public-private partnerships.

This amount is different from the capital-related expenses that are part of program expense in the province's income statement:

- For alternatively financed projects of local authorities in the Capital Plan – Only the financing costs are reported as expense each year, not the value of the projects being constructed.
- For government-owned capital assets – The value of capital assets being acquired is not reported as an expense. As recommended by the Financial Management Commission, the Alberta government adopted the new national accounting standard for capital reporting by governments in 2003-04. Rather than expenditures on government-owned capital being included in the income statement, the amortization costs of the capital are reported in program expense, reflecting the annual depreciation of capital assets as they are used to deliver services.

This approach to capital reporting has been used by the private sector for years. Most other governments, including the federal government, Ontario, Quebec and British Columbia, have adopted the new standard.

The Alberta government has \$10.5 billion of capital assets. Amortization costs will increase from \$466 million in 2004-05 to \$504 million by 2006-07. Capital investment averages \$870 million a year over the next three years. This more than offsets amortization costs and increases the government's capital assets to \$11.6 billion by 2006-07.

Local authorities' capital assets, such as those of school boards, post-secondary institutions and health authorities, are not amortized on the province's income statement as these capital assets are not owned by the provincial government. As noted, capital grants to local authorities are reported as part of program expense.

The Alberta government adopted the new national accounting standard for capital reporting by governments in 2003-04.

The government's capital assets will increase to \$11.6 billion by 2006-07.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Capital Plan				
Capital grants to local authorities	913	1,373	988	625
Value of local authorities' alternatively financed projects	—	—	200	325
Highway planning and rehabilitation	105	131	110	94
Investment in government-owned capital	622	889	925	798
Capital Plan	1,640	2,393	2,223	1,842
Expense for Capital Purposes^a				
Capital grants to local authorities	913	1,373	988	625
Capital financing grants to local authorities	—	—	5	18
Highway planning and rehabilitation	105	131	110	94
Amortization of government-owned capital	426	466	498	504
Expense for Capital Purposes	1,444	1,970	1,601	1,241

^a Included in program expense. Does not include \$7 million in financing costs in 2006-07 for government P3s, which are included in debt servicing costs.

"Alberta will once again dominate the growth rankings in 2004... solid economic prospects will continue to lure people to Alberta..."

**Conference Board of
Canada
Provincial Outlook
February 2004**

*Total revenue is estimated
at \$23 billion for 2004-05.*

Economic and Revenue Outlook

Alberta's economy withstood significant shocks in 2003, including the dramatic increase in the Canadian dollar relative to the U.S. dollar, and the closure of borders to live cattle and beef exports. In spite of these challenges, economic growth remained healthy, at 3.1%, due to strength in conventional energy investment and the household sector. Alberta created 47,900 jobs, lowering our unemployment rate to 4.8% in December, the lowest rate in Canada.

Alberta's growth is expected to accelerate to 3.6% in 2004 and average a healthy 3.1% over the medium term. Strong employment growth is expected to continue, with 42,700 new jobs in 2004 and a further 112,200 over the following three years.

Further information on the economy is included in the *Economic Outlook* chapter.

REVENUE OUTLOOK

Total revenue is estimated at \$23 billion for 2004-05, a decrease of \$2.4 billion, or 9.4%, from 2003-04. This decline is mainly due to assumed lower energy prices.

In the following two years, revenue is expected to grow modestly by 1.7% and 1.1% to \$23.6 billion in 2006-07. Higher tax revenue is mostly offset by assumed continued declines in energy prices and natural gas production.

Under the *Fiscal Responsibility Act*, the amount of non-renewable resource revenue that can be budgeted for spending is fixed at \$4 billion for 2004-05 and future years. Any excess resource revenue must be transferred to the Sustainability Fund and any shortfall may be withdrawn from the Fund. This helps protect operating and capital spending against short-term fluctuations in resource revenue.

After adjusting for resource revenue transfers, total revenue for fiscal policy purposes is expected to grow by 3.6% in 2004-05 and by 3.7% and 3.0% in the following two years.

Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Tax revenue	9,330	9,971	10,423	10,956
Non-renewable resource revenue	7,446	4,784	4,356	3,923
Transfers from Government of Canada	2,991	2,971	3,182	3,265
Investment income	1,649	1,226	1,291	1,304
Revenue from other sources	3,922	4,000	4,090	4,141
Total Revenue	25,333	22,952	23,342	23,589
Resource revenue transfer from (to)				
Sustainability Fund	(3,946)	(784)	(356)	77
Total Revenue for Fiscal Policy Purposes	21,392	22,168	22,986	23,666

Indexing of Alberta's personal income tax system to protect against inflation will continue, saving Albertans about \$150 million in 2004.

Corporate income taxes will be cut on April 1, saving Alberta businesses \$142 million in 2004-05.

TAX REVENUE

Total tax revenue is estimated at \$10 billion in 2004-05, an increase of \$641 million, or 6.9% from 2003-04. Tax revenue is forecast to grow by 4.5% and 5.1% in the following two years, to \$11 billion by 2006-07.

Personal income tax revenue is expected to grow strongly over the next three years, after a drop in 2003-04. Final 2002 tax assessments were about \$200 million lower than estimated, requiring a negative adjustment in 2003-04. After adjusting for this, strong growth in employment and incomes is expected to increase personal income tax revenue by an average of 6.3% per year for the next three years to \$5.8 billion by 2006-07. Indexing of Alberta's personal income tax system to protect against inflation will continue, saving Albertans about \$150 million in 2004.

Corporate income tax revenue is also forecast to decline in 2003-04, due to about \$200 million in refunds for 2002 and prior tax years that were paid in 2003-04. After adjusting for this, corporate income tax revenue is expected to grow only modestly over the next three years to \$2.1 billion by 2006-07. Corporate income tax cuts in 2004-05 and assumed declines in energy prices are expected to mostly offset growth from Alberta's strong economy. Corporate income taxes will be cut on April 1, 2004, saving Alberta businesses \$142 million in 2004-05.

School property tax revenue is expected to increase by 5.7% in 2004-05 and by 5.8% and 4.8% in the following two years to \$1.37 billion by 2006-07, due to growth in the assessment base. School property tax rates will be reduced by about 2.3% in 2004, saving Albertans and Alberta businesses about \$20 million.

Revenue from other taxes is expected to be roughly flat, at about \$1.7 billion for the next three years. Declining revenue from the freehold mineral rights tax, due to assumed lower energy prices, will roughly offset growth in tobacco, fuel, insurance and hotel room taxes.

Tax Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Personal income tax	4,613	5,085	5,438	5,786
Corporate income tax	1,796	1,957	1,976	2,070
School property tax	1,166	1,233	1,304	1,366
Other taxes	1,755	1,696	1,705	1,734
Total Tax Revenue	9,330	9,971	10,423	10,956

Non-renewable resource revenue is expected to decline to \$4.8 billion in 2004-05.

Natural gas prices assumed at Cdn\$4.20 per mcf in 2004-05.

Oil prices assumed at US\$26 per barrel in 2004-05.

The U.S./Canada exchange rate is expected to average around 77 cents.

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is expected to decline by \$2.7 billion, or 36%, in 2004-05 to \$4.8 billion and decline to \$3.9 billion by 2006-07. This assumes declining energy prices and natural gas production, and a higher Canadian dollar.

Low oil and natural gas inventories, and lower-than-expected post-war Iraqi oil production kept energy prices high last year. In 2003-04, oil prices averaged around US\$31 per barrel and natural gas prices about Cdn\$5.64 per thousand cubic feet (mcf).

Increased international drilling activity and production due to recent high prices are expected to increase storage levels and bring prices down to more sustainable levels. Natural gas prices are assumed to decline to Cdn\$4.20 per mcf in 2004-05 and Cdn\$4.01 by 2006-07. Oil prices are assumed to fall to US\$26 per barrel in 2004-05 and US\$25 for the following two years.

The higher Canadian dollar reduces Alberta's resource revenue since Canadian oil and natural gas prices are based on U.S. prices. The U.S./Canada exchange rate is expected to average around 77 cents for the next three years, up 2.7 cents from the 2003-04 average and over 12 cents from 2002-03.

Alberta's conventional oil production has been declining since 1996. Non-conventional production, primarily from the oil sands, is growing rapidly and is expected to be about 75% of total oil production by 2007. Conventional natural gas production has now begun to decline as well and this trend is expected to continue despite high levels of drilling activity.

The oil price assumptions are about the same as the average of private-sector forecasters while the natural gas price assumptions are lower than the average of private-sector forecasters. The *Economic Outlook* chapter contains more details on the energy price assumptions and provides comparisons to publicly available private-sector forecasts.

Non-Renewable Resource Revenue

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Natural gas and by-products royalty	5,355	3,373	3,058	2,610
Crude oil royalty	938	558	458	401
Synthetic crude oil and bitumen royalty	187	100	121	196
Coal royalty	8	9	9	9
Bonuses and sales of Crown leases	898	694	659	653
Rentals and fees	156	145	143	141
Royalty tax credit	(96)	(95)	(92)	(87)
Total Non-Renewable Resource Revenue	7,446	4,784	4,356	3,923

Alberta's \$201 million share of the federal health supplement has been included in 2004-05 revenue.

TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are estimated at \$3 billion in 2004-05. These transfers pay for about 13% of Alberta's \$22 billion in program spending. Federal transfers are forecast to increase to nearly \$3.3 billion by 2006-07.

Alberta's \$201 million share of the \$2 billion federal health supplement, which was recently confirmed by the federal government, has been included in 2004-05 revenue. First Ministers will discuss health reform and future federal contributions for health care later this year. The fiscal plan assumes that, at a minimum, the federal government will continue the \$2 billion health supplement in future years, with Alberta's share remaining at \$201 million in 2005-06 and 2006-07.

In 2003-04, the federal government contributed \$307 million to the cost of Alberta's BSE assistance.

Transfers from Government of Canada^a

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Canada Health and Social Transfer	1,767	—	—	—
Health transfers	283	1,625	1,804	1,842
Canada Social Transfer	—	679	709	749
Agriculture support programs	623	286	306	299
Other transfers	318	381	363	375
Total Federal Transfers	2,991	2,971	3,182	3,265

^a In 2004-05, the federal government is replacing the Canada Health and Social Transfer with two separate transfers - the Canada Health Transfer (included in health transfers) and the Canada Social Transfer for post-secondary education and social services.

Investment income is estimated at \$1.2 billion in 2004-05.

INVESTMENT INCOME

Investment income is estimated at \$1.2 billion in 2004-05, a decline of \$423 million, or 26%. There were large realized capital gains in 2003-04 in the Heritage Fund and endowment funds due to the rebound in equity markets. Realized capital gains are not expected to be as large in 2004-05.

Investment income is forecast to grow over the following two years, to \$1.3 billion by 2006-07, due to higher income of the Heritage Fund and the endowment funds. The Alberta Capital Finance Authority's interest income on loans to municipalities and other local authorities is forecast to continue declining because the interest rates on new loans that are being issued are lower than the rates on maturing loans. Other investment income will decline as balances in the Debt Retirement Account and the Capital Account are drawn down over the next two years to pay off maturing debt and fund capital projects.

Investment Income

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Alberta Heritage Savings Trust Fund	964	631	706	728
Alberta Capital Finance Authority	324	314	293	274
Endowment funds	106	51	76	90
Other investment income	255	230	216	212
Total Investment Income	1,649	1,226	1,291	1,304

REVENUE FROM OTHER SOURCES

Overall, revenue from all other sources is expected to increase by an average of 1.8% per year to \$4 billion in 2004-05 and \$4.14 billion by 2006-07.

Gaming and lottery revenue is projected to increase due to casino expansions, including First Nations casinos. Higher revenue is also expected from crop insurance premiums for enhanced safety-net programs and volume increases in other fees as Alberta's population continues to grow.

Details of 2004-05 rate increases are included in the Premiums, Fees and Licences Changes table.

Revenue from Other Sources

(millions of dollars)

	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Net income from commercial operations	1,822	1,869	1,913	1,917
Premiums, fees and licences	1,707	1,733	1,798	1,836
Other	393	398	379	388
Total Revenue from Other Sources	3,922	4,000	4,090	4,141

The U.S. budget and trade deficits represent a risk to the Alberta economy in the medium term.

RISKS

Economy

- Alberta's economic outlook is based on continued strengthening of business investment and a recovery in export demand from a rebounding U.S. economy. The U.S. budget and trade deficits represent a risk to the U.S. economy and, thus, the Alberta economy, particularly in the medium term.
- The outlook for the agriculture sector will depend, in part, on developments relating to BSE.

Energy price assumptions remain prudent.

Energy Prices

- The energy price assumptions in the budget are fairly prudent in comparison to private-sector price forecasts for natural gas and the surge in oil prices in the first quarter of 2004. If energy prices are higher than assumed, economic growth could be higher.
- Any increase in non-renewable resource revenue would be transferred to the Sustainability Fund. Higher-than-forecast natural gas prices would likely trigger natural gas rebates, which would be funded from the Sustainability Fund.
- Lower-than-budgeted energy prices would result in a lower resource revenue transfer to the Sustainability Fund or a draw from the Fund.

An appreciation in the Canadian dollar would reduce non-renewable resource revenue since both oil and natural gas are priced primarily in U.S. dollars.

Exchange Rate

- The Canadian dollar appreciated rapidly against the U.S. dollar in 2003. The early part of 2004 has seen more volatility in the U.S./Canada exchange rate. The budget assumes an average exchange rate of 77 cents over the three years of the fiscal plan.
- An appreciation in the Canadian dollar above this level would reduce non-renewable resource revenue since both oil and natural gas are priced primarily in U.S. dollars. A one-cent increase in the Canadian dollar reduces resource revenue by about \$104 million and investment income by \$14 million. It also results in a \$6 million reduction in debt servicing costs due to the revaluation of debt denominated in U.S. dollars.

No allocation for emergency or disaster assistance has been included in the budget.

Investment Income

- The Alberta government has significant financial assets that are invested in a variety of financial instruments. Changes in equity markets, interest rates, exchanges rates and other factors affect the value of the assets.

Emergency and Disaster Assistance

- No allocation for emergency or disaster assistance has been included in the budget. Agriculture safety-net programs provide protection against adverse weather and other circumstances. If emergency and disaster assistance is required, funding can be provided from the \$2.5 billion in the Sustainability Fund.

Sensitivities to Fiscal Year Assumptions, 2004-05

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-65	—	-65
Natural Gas Price (Cdn\$/mcf)	-10¢	-105	—	-105
Exchange Rate (US¢/Cdn\$)	+1¢	-118	-6	-112
Interest Rates	+1%	-93	+10	-103

FISCAL PLAN TABLES

BUDGET
2004

ON ROUTE
ON COURSE

Fiscal Summary^a

(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
Revenue	22,660	21,928	25,338	22,952	23,342	23,589
Expense						
Program	20,053	20,335	21,731	22,286	22,809	23,079
Debt servicing costs	476	465	280	363	329	315
Total Expense	20,529	20,800	22,011	22,649	23,138	23,394
Net Revenue^b	2,131	1,128	3,327	303	204	195
Transfer from Capital Account ^c		416	416	741	425	-
Retained income/capital cash requirements ^d		(58)	(135)	-	-	-
Net transfer from (to) Sustainability Fund		(1,276)	(3,608)	(784)	(356)	77
Contingency Allowance		210	-	260	273	272

^a For fiscal policy purposes under the *Fiscal Responsibility Act* (FRA). Numbers have been restated to be comparable with the 2004-05 presentation.

^b Sustainability Fund was established in 2003-04. In 2002-03, Net Revenue, after cash adjustments, was allocated to the Capital Account and the Debt Retirement Account.

^c Includes only transfers for capital grants to local authorities.

^d The economic cushion for purposes of the FRA is defined as the Contingency Allowance plus the net positive amount of retained income and capital cash requirements. The net of retained income / capital cash requirements must be set aside and is not available for transfer to the Sustainability Fund.

Sustainability Fund

(millions of dollars)

	2003-04	2003-04	2004-05	2005-06	2006-07
	Budget	Forecast	Estimate	Target	Target
Assets at start of year	-	-	2,500	2,500	2,529
Net transfer from (to) general revenues	1,276	3,608	784	356	(77)
Cash adjustments	941	678	568	12	48
Assets prior to reallocation	2,217	4,286	3,852	2,868	2,500
Less reallocation to					
Debt Retirement Account	-	893	726	259	-
Capital Account	-	893	626	80	-
Assets at End of Year	2,217	2,500	2,500	2,529	2,500

Accumulated Debt

(millions of dollars)

	2002-03	2003-04	2003-04	2004-05	2005-06	2006-07
	Actual	Budget	Forecast	Estimate	Target	Target
Accumulated debt at start of year	8,416	6,746	6,746	4,955	3,466	2,729
Accumulated debt repayment	(1,670)	(1,758)	(1,791)	(1,489)	(737)	-
Accumulated debt at end of year	6,746	4,988	4,955	3,466	2,729	2,729
Less: cash set aside for future debt repayment	2,010	252	1,241	478	-	-
Accumulated Debt Less Cash Set Aside	4,736	4,736	3,714	2,988	2,729	2,729

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2003 Actual	2004 Forecast	2005 Estimate	2006 Target	2007 Target
Financial Assets					
Heritage Fund external investments	11,262	11,267	11,273	11,281	11,290
Self-supporting lending organizations	5,293	5,404	5,414	5,396	5,408
Sustainability Fund	-	2,500	2,500	2,529	2,500
Endowment Funds	1,551	1,595	1,551	1,530	1,522
Capital Account	910	1,180	718	187	-
Debt Retirement Account	2,010	1,241	478	-	-
Other financial assets	5,509	5,130	4,016	4,475	4,907
Total Financial Assets	26,535	28,317	25,950	25,398	25,627
Liabilities					
Accumulated debt	6,746	4,955	3,466	2,729	2,729
Pension obligations	4,927	5,047	5,166	5,287	5,415
Self-supporting lending organizations	4,070	4,404	4,337	4,301	4,291
Liabilities for government-owned capital ^a	-	-	151	481	702
Other liabilities	3,916	4,007	3,150	3,250	3,353
Total Liabilities	19,659	18,413	16,270	16,048	16,490
Net Financial Assets	6,876	9,904	9,680	9,350	9,137
Capital Assets	10,285	10,464	10,872	11,285	11,565
Net Assets	17,161	20,368	20,552	20,635	20,702
Adjustment for pension obligations	4,927	5,047	5,166	5,287	5,415
Net Assets for Fiscal Policy Purposes^b	22,088	25,415	25,718	25,922	26,117

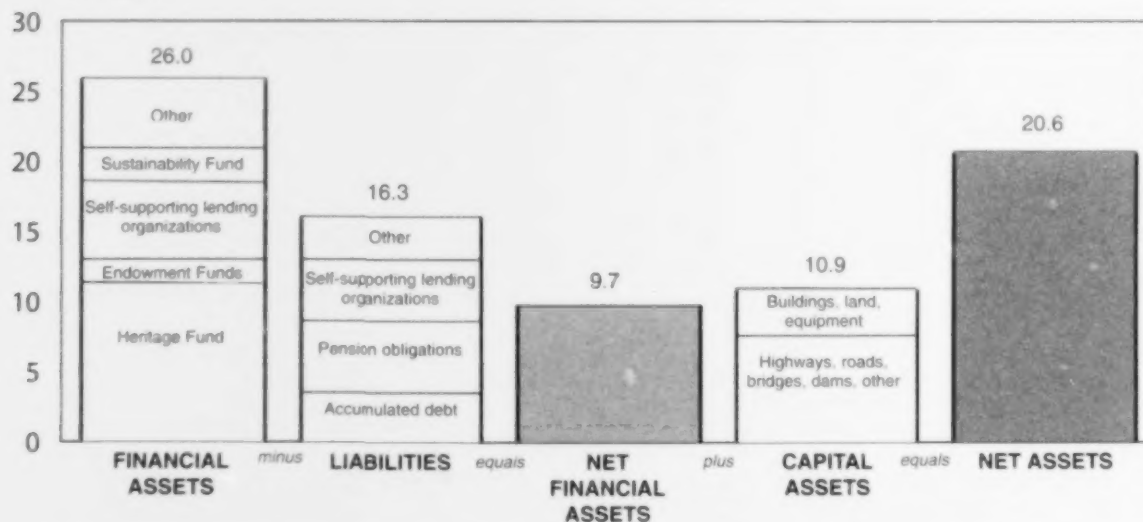
^a 2007 is net of an assumed \$1 million principal repayment.

^b Under the Fiscal Responsibility Act, excludes pension obligations.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2005

(billions of dollars)

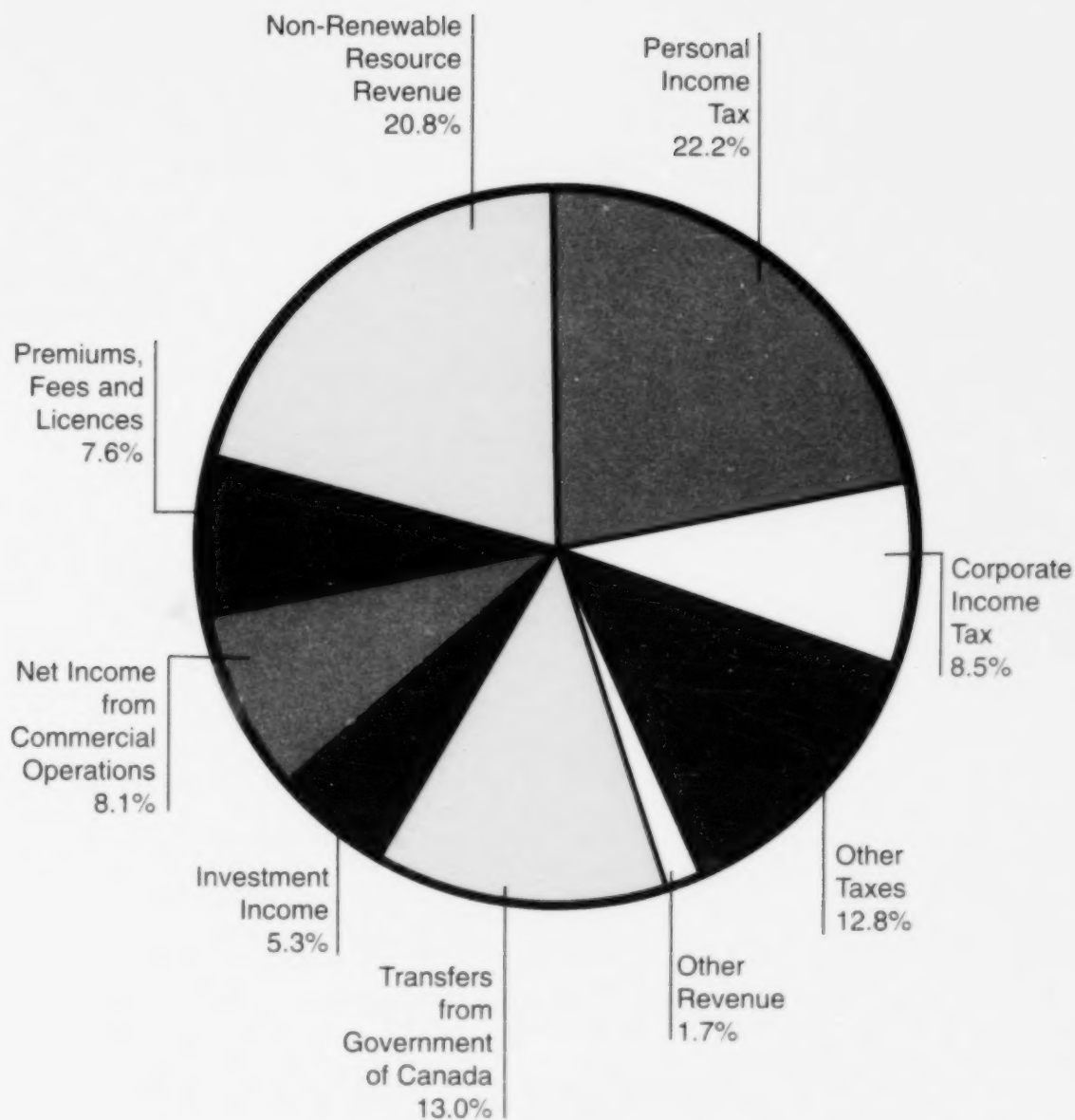


Revenue

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Income Taxes						
Personal income tax	4,834	5,035	4,613	5,085	5,438	5,786
Corporate income tax	2,019	2,016	1,796	1,957	1,976	2,070
	6,853	7,051	6,409	7,042	7,414	7,856
Other Taxes						
School property tax	1,113	1,165	1,166	1,233	1,304	1,366
Tobacco tax	618	624	650	660	680	700
Fuel tax	597	602	602	607	615	624
Freehold mineral rights tax	202	214	290	204	173	161
Insurance taxes	162	148	157	165	175	186
Hotel room tax	54	58	56	60	62	63
	2,746	2,811	2,921	2,929	3,009	3,100
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,125	3,480	5,355	3,373	3,058	2,610
Crude oil royalty	1,177	502	938	558	458	401
Synthetic crude oil and bitumen royalty	183	103	187	100	121	196
Coal royalty	10	11	8	9	9	9
Bonuses and sales of Crown leases	565	679	898	694	659	653
Rentals and fees	153	144	156	145	143	141
Royalty tax credit	(83)	(143)	(96)	(95)	(92)	(87)
	7,130	4,776	7,446	4,784	4,356	3,923
Transfers from Government of Canada						
Canada Health and Social Transfer	1,332	1,613	1,767	-	-	-
Health transfers	19	284	283	1,625	1,804	1,842
Canada Social Transfer	-	-	-	679	709	749
Agriculture support programs	416	169	623	286	306	299
Other	307	320	318	381	363	375
	2,074	2,386	2,991	2,971	3,182	3,265
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,089	1,093	1,105	1,162	1,212	1,203
Liquor revenue	535	546	551	551	550	550
Alberta Treasury Branches	199	152	141	151	146	158
Other	26	4	25	5	5	6
	1,849	1,795	1,822	1,869	1,913	1,917
Premiums, Fees and Licences						
Health care insurance premiums	914	913	923	928	942	957
Motor vehicle licences	248	262	257	270	275	283
Crop and hail insurance premiums	102	164	146	153	194	194
Timber rentals and fees	60	63	52	64	64	77
Land titles	38	36	38	37	37	37
Other	282	287	291	281	286	288
	1,644	1,725	1,707	1,733	1,798	1,836
Investment Income						
Alberta Heritage Savings Trust Fund	(910)	426	964	631	706	728
Alberta Capital Finance Authority	339	319	324	314	293	274
Agriculture Financial Services Corporation	101	91	85	85	89	94
Sustainability Fund	-	31	40	75	75	75
Debt Retirement Account	98	45	48	10	5	-
Endowment Funds						
Medical Research	(82)	31	59	30	42	48
Science and Engineering Research	(33)	11	27	12	22	28
Scholarship	(28)	10	20	9	12	14
Other	53	55	82	60	47	43
	(462)	1,019	1,649	1,226	1,291	1,304
Other						
Refunds of expense	270	87	90	81	83	83
Fines and penalties	56	63	68	68	68	68
Miscellaneous	500	215	235	249	228	237
	826	365	393	398	379	388
Total Revenue	22,660	21,928	25,338	22,952	23,342	23,589

2004-05 Revenue
\$23 billion



Expense by Ministry

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Program						
Legislative Assembly	54	61	59	76	72	64
Aboriginal Affairs and Northern Development	64	32	36	36	36	36
Agriculture, Food and Rural Development	1,783	814	1,628	908	1,015	1,013
Children's Services	657	708	709	742	765	784
Community Development	573	643	641	691	703	691
Economic Development	55	55	58	58	58	58
Energy	163	185	198	191	194	196
Environment	107	121	124	125	125	123
Executive Council	17	19	19	21	21	21
Finance	443	434	443	438	418	401
Gaming	123	154	146	165	201	197
Government Services	73	84	88	93	94	95
Health and Wellness	6,836	7,350	7,378	7,996	8,450	8,772
Human Resources and Employment	1,067	1,071	1,132	1,147	1,161	1,170
Infrastructure	815	1,203	1,434	1,528	1,193	965
Innovation and Science	184	200	189	205	231	243
International and Intergovernmental Relations	6	6	6	8	9	9
Justice	244	262	264	283	285	285
Learning	4,754	4,912	4,988	5,272	5,501	5,722
Municipal Affairs	161	132	143	123	122	122
Revenue	179	166	158	162	168	170
Seniors	341	354	402	429	418	398
Solicitor General	266	278	284	346	348	350
Sustainable Resource Development	415	202	331	205	206	207
Transportation	673	889	873	1,038	1,015	987
Total Program Expense	20,053	20,335	21,731	22,286	22,809	23,079
Debt Servicing Costs	476	465	280	363	329	315
Total Expense	20,529	20,800	22,011	22,649	23,138	23,394

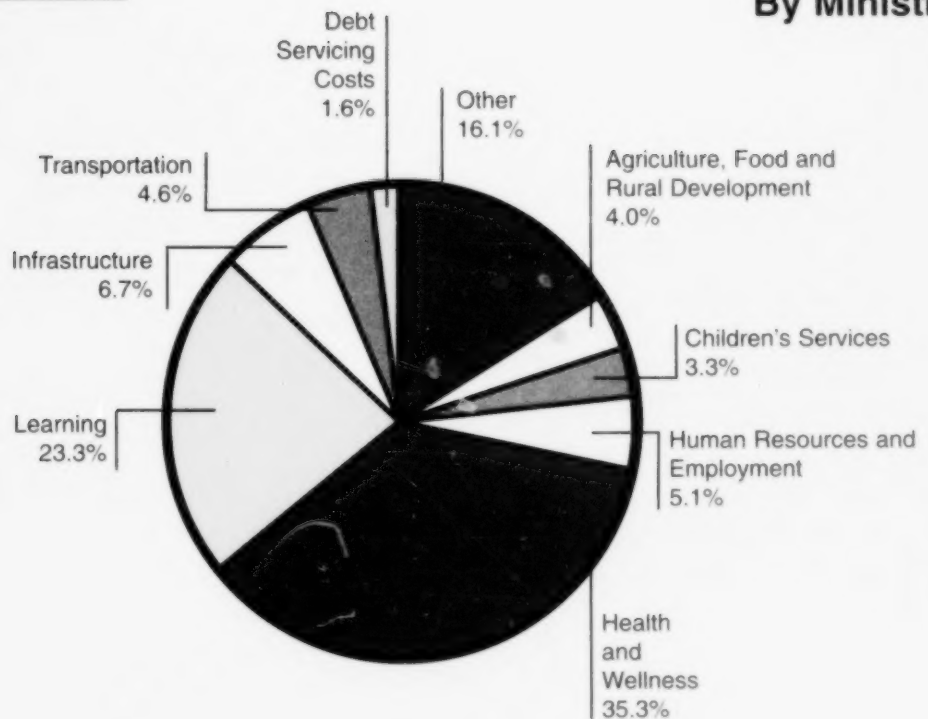
Expense by Function

(millions of dollars)

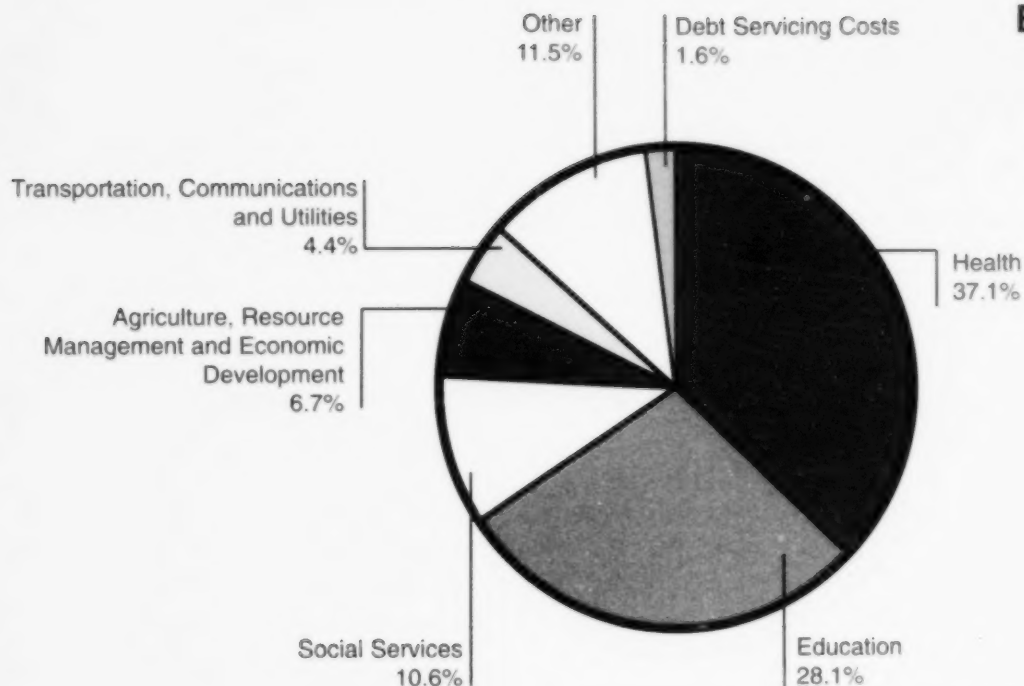
	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Health	6,917	7,651	7,649	8,407	8,672	8,910
Education	5,461	5,766	5,887	6,354	6,439	6,508
Social Services	2,108	2,230	2,305	2,408	2,470	2,512
Agriculture, Resource Management and Economic Development	2,306	1,408	2,213	1,516	1,673	1,684
Transportation, Communications and Utilities	652	857	1,075	1,003	984	955
Protection of Persons and Property	901	704	842	801	806	810
Regional Planning and Development	484	438	452	428	405	386
Recreation and Culture	231	280	276	307	290	266
Environment	147	161	170	161	161	159
Housing	132	125	139	149	128	102
General Government	714	715	723	752	781	787
Debt Servicing Costs	476	465	280	363	329	315
Total Expense	20,529	20,800	22,011	22,649	23,138	23,394

2004-05 Expense
\$22.6 billion

By Ministry



By Function



2004-05 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Economic Development ^a	Transportation ^b	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture Environment	Housing	General Government	Servicing Costs	Debt	Total Expense
Legislative Assembly	—	—	—	—	—	—	—	—	—	76	—	—	76
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	36	—	—	—	—	—	36
Agriculture, Food and Rural Development	—	—	—	908	—	—	—	—	—	—	53	—	961
Children's Services	—	—	742	—	—	—	—	—	—	—	—	—	742
Community Development	—	—	477	—	—	7	—	207	—	—	—	—	691
Economic Development	—	—	—	58	—	—	—	—	—	—	—	—	58
Energy	—	—	—	135	7	—	—	—	10	39	—	—	191
Environment	—	—	—	—	—	—	—	—	125	—	—	—	125
Executive Council	—	—	—	—	—	—	—	—	—	21	—	—	21
Finance	—	—	—	—	—	3	314	—	—	121	265	—	703
Gaming	—	—	—	78	—	—	—	87	—	—	—	—	165
Government Services	—	—	—	4	—	74	—	—	—	15	—	—	93
Health and Wellness	7,996	—	—	—	—	—	—	—	—	—	—	—	7,996
Human Resources and Employment	—	275	831	3	—	26	—	—	—	12	—	—	1,147
Infrastructure	356	811	—	—	5	—	—	13	26	310	—	—	1,528
Innovation and Science	—	—	—	154	—	—	—	—	—	51	—	—	205
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	8	—	—	8
Justice	—	—	59	—	—	224	—	—	—	—	—	—	283
Learning	—	5,268	—	4	—	—	—	—	—	—	4	—	5,276
Municipal Affairs	—	—	—	5	—	10	78	—	—	30	—	—	123
Revenue	55	—	—	17	—	21	—	—	—	69	—	—	162
Seniors	—	—	287	—	—	—	—	—	142	—	41	—	470
Solicitor General	—	—	12	—	—	334	—	—	—	—	—	—	346
Sustainable Resource Development	—	—	—	131	—	74	—	—	—	—	—	—	205
Transportation	—	—	—	19	991	28	—	—	—	—	—	—	1,038
Total Expense	8,407	6,354	2,408	1,516	1,003	801	428	307	161	752	363	—	22,649

a Agriculture, Resource Management and Economic Development

b Transportation, Communications and Utilities

2004-05 Expense by Object

(millions of dollars)

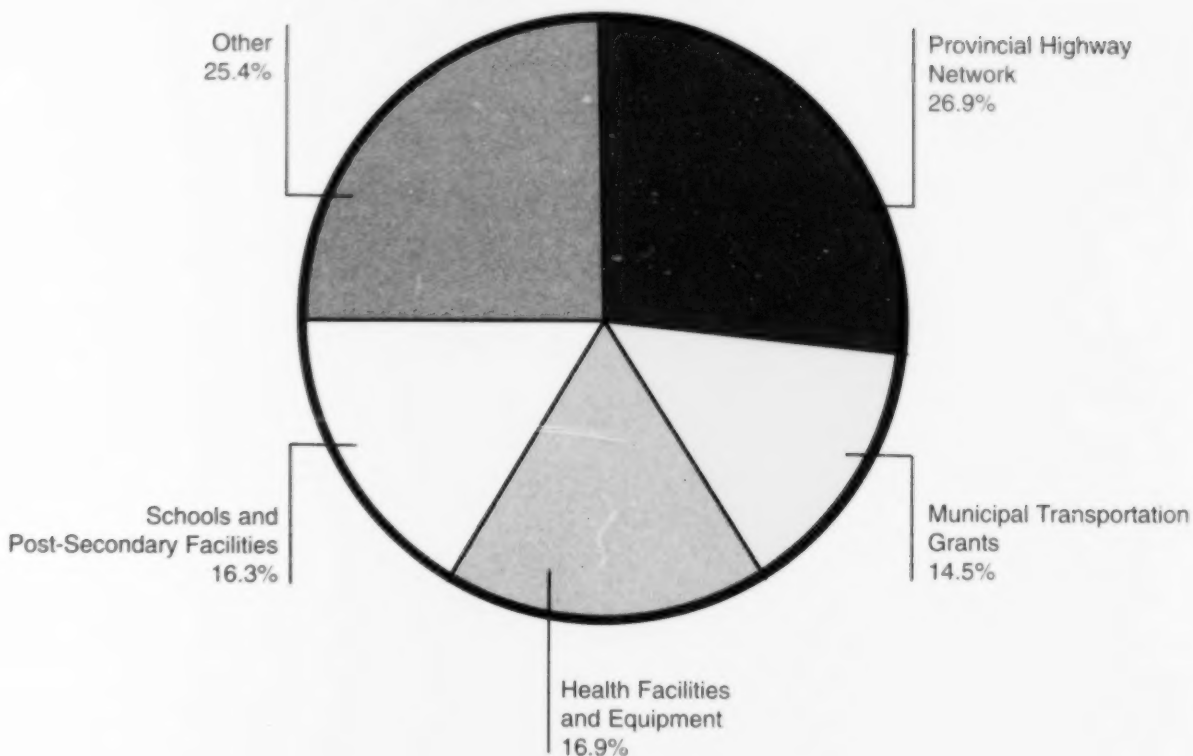
	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Other	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	35	27	14	—	—	—	—	76	—	76
Aboriginal Affairs and Northern Development	6	8	22	—	—	—	—	36	—	36
Agriculture, Food and Rural Development	115	56	97	219	685	8	(219)	961	—	961
Children's Services	150	464	127	551	—	1	(551)	742	—	742
Community Development	141	289	250	982	1	10	(982)	691	—	691
Economic Development	21	30	7	—	—	—	—	58	—	58
Energy	106	60	11	41	—	14	(41)	191	—	191
Environment	60	44	2	—	—	19	—	125	—	125
Executive Council	20	5	—	—	—	—	—	25	(4)	21
Finance	29	17	53	103	600	3	(13)	792	(89)	703
Gaming	3	3	159	1,168	—	—	(161)	1,172	(1,007)	165
Government Services	99	131	—	—	—	5	—	235	(142)	93
Health and Wellness	86	139	7,706	64	42	23	(64)	7,996	—	7,996
Human Resources and Employment	131	185	825	—	3	3	—	1,147	—	1,147
Infrastructure	56	264	1,147	—	10	55	—	1,532	(4)	1,528
Innovation and Science	57	66	75	99	—	21	(99)	219	(14)	205
International and Intergovernmental Relations	5	3	—	—	—	—	—	8	—	8
Justice	176	48	32	—	25	2	—	283	—	283
Learning	76	139	5,052	—	4	5	—	5,276	—	5,276
Municipal Affairs	25	20	76	—	—	2	—	123	—	123
Revenue	38	30	72	677	21	3	(649)	192	(30)	162
Seniors	21	20	387	—	41	24	(23)	470	—	470
Solicitor General	127	168	51	—	—	—	—	346	—	346
Sustainable Resource Development	116	70	7	28	1	11	(23)	210	(5)	205
Transportation	60	339	382	—	—	257	—	1,038	—	1,038
Total Expense	1,759	2,625	16,554	3,912	1,433	466	(2,825)	23,944	(1,295)	22,649

Capital Plan

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Provincial highway network	370	457	468	587	577	577
Municipal transportation grants	102	242	225	324	308	302
Health facilities and equipment	43	284	274	433	424	236
Schools	81	136	130	221	202	213
Post-secondary facilities	44	145	135	228	100	88
Water and wastewater management	95	86	74	89	89	89
Community facilities and centennial projects	40	64	64	95	81	56
Other infrastructure programs	124	121	92	163	77	42
Other government capital and information technology	98	141	178	253	365	239
Total Capital Plan	997	1,676	1,640	2,393	2,223	1,842

2004-07 Capital Plan \$6.5 billion



Capital Plan Funding Details

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Support for Local Authorities' Capital						
Current-year revenue	369	553	497	632	563	625
Capital Account	-	416	416	741	425	-
Alternative financing	-	-	-	-	200	325
Total Support for Local Authorities' Capital	369	969	913	1,373	1,188	950
Government-Owned Capital^a						
Current-year revenue	628	500	520	522	519	483
Capital Account	-	207	207	347	186	187
Public-Private Partnerships (P3s)	-	-	-	151	330	222
Total Government-Owned Capital	628	707	727	1,020	1,035	892
Total Capital Plan						
Current-year revenue	997	1,053	1,017	1,154	1,082	1,108
Capital Account	-	623	623	1,088	611	187
Alternative financing including P3s	-	-	-	151	530	547
Total Capital Plan	997	1,676	1,640	2,393	2,223	1,842

a Includes provincial highway planning and rehabilitation projects which are included in program expense.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Capital Plan						
Capital grants to local authorities	369	969	913	1,373	988	625
Value of local authorities' alternatively financed projects	-	-	-	-	200	325
Provincial highway planning and rehabilitation	91	92	105	131	110	94
Capital investment in government-owned projects	537	615	622	889	925	798
Total Capital Plan	997	1,676	1,640	2,393	2,223	1,842
Expense for Capital Purposes^a						
Capital grants to local authorities	369	969	913	1,373	988	625
Capital financing grants to local authorities	-	-	-	-	5	18
Provincial highway planning and rehabilitation	91	92	105	131	110	94
Amortization of government-owned projects	346	428	426	466	498	504
Total Expense for Capital Purposes	806	1,489	1,444	1,970	1,601	1,241

a Included in program expense. Does not include \$7 million in financing costs in 2006-07 of government-owned P3s, which are included in debt servicing costs.

Capital Investment in Government-Owned Capital^a

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	7	10	13	13	8	6
Children's Services	1	-	-	-	-	-
Community Development	2	2	2	7	12	8
Economic Development	-	-	-	-	-	-
Energy	19	11	12	11	11	11
Environment	1	1	1	4	3	3
Executive Council	-	-	-	-	-	-
Finance	4	5	4	2	1	2
Gaming	-	-	-	-	-	-
Government Services	6	4	4	4	6	6
Health and Wellness	17	37	36	67	48	49
Human Resources and Employment	4	3	3	4	4	4
Infrastructure	30	46	63	205	292	154
Innovation and Science	90	66	34	48	7	7
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	2	2	4	1	1	-
Learning	6	7	11	6	4	4
Municipal Affairs	1	2	2	2	1	1
Revenue	5	5	6	3	3	3
Seniors	6	-	-	-	-	-
Solicitor General	1	-	-	-	-	-
Sustainable Resource Development	8	7	20	11	11	11
Transportation	327	407	407	501	513	529
Total Capital Investment	537	615	622	889	925	798

^a Includes inventory purchases.

Grants to Local Authorities for Capital Purposes and Other Infrastructure Support^a

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Agriculture, Food and Rural Development	27	26	19	24	24	24
Community Development	1	3	3	14	15	2
Environment	9	1	1	1	1	1
Gaming	25	39	39	39	39	39
Health and Wellness	-	50	50	50	50	-
Infrastructure	130	479	464	798	460	224
Innovation and Science	-	11	11	10	8	-
Learning	31	20	20	-	-	-
Revenue	-	10	-	4	4	4
Seniors	21	39	45	51	25	-
Transportation	216	383	366	513	477	443
Total Support for Infrastructure	460	1,061	1,018	1,504	1,103	737

^a Included in program expense. Includes capital financing grants to local authorities in 2005-06 and 2006-07.

Capital Amortization for Government-Owned Capital^a

(millions of dollars)

	2002-03 Actual	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	6	7	7	8	8	8
Children's Services	1	1	1	1	1	1
Community Development	10	10	10	10	10	10
Economic Development	-	-	-	-	-	-
Energy	11	11	12	14	15	15
Environment	16	18	18	19	18	18
Executive Council	-	-	-	-	-	-
Finance	1	2	2	3	3	3
Gaming	-	-	-	-	-	-
Government Services	4	5	4	5	6	7
Health and Wellness	2	22	22	23	25	26
Human Resources and Employment	3	4	3	3	3	3
Infrastructure	44	55	53	55	55	59
Innovation and Science	9	8	8	21	37	37
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	1	2	3	3
Learning	1	3	3	5	6	6
Municipal Affairs	1	1	2	2	3	2
Revenue	2	3	3	3	3	4
Seniors	24	24	24	24	24	24
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	6	9	9	11	11	11
Transportation	204	244	244	257	267	267
Total Capital Amortization	346	428	426	466	498	504

^a Includes inventory consumption.

Capital Account

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year ^a	910	910	1,180	718	187
Allocation from Sustainability Fund	-	893	626	80	-
Allocation for					
Capital grants to local authorities	(416)	(416)	(741)	(425)	-
Government-owned capital investment	(207)	(207)	(347)	(186)	(187)
Assets at End of Year	287	1,180	718	187	-

^a The 2003-04 allocation to establish the Capital Account came from the 2002-03 surplus.

Retained Income/Capital Cash Requirements

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Retained Income of Funds and Agencies					
Alberta Treasury Branches	152	141	151	146	158
Agriculture Financial Services Corporation	5	32	(26)	(32)	(32)
Endowment Funds					
Medical Research	(39)	8	(25)	(13)	(7)
Science and Engineering Research	(3)	16	(5)	2	7
Scholarship	(11)	(2)	(12)	(10)	(8)
Other	(3)	(29)	7	10	10
Total Retained Income	101	166	90	103	128
Capital Cash Requirements					
Capital investment	615	622	889	925	798
Principal repayment	-	-	-	-	1
Capital amortization	(428)	(426)	(466)	(498)	(504)
Alternatively financed capital investment (P3s)	-	-	(151)	(330)	(222)
Funding from Capital Account	(207)	(207)	(347)	(186)	(187)
Funding from Sustainability Fund	-	(3)	-	-	-
Net book value of capital asset disposals	(23)	(17)	(15)	(14)	(14)
Total Retained Income/Capital Cash Requirements	58	135	-	-	-

Sustainability Fund Details

(millions of dollars)

	2003-04 Budget	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Assets at start of year	-	-	2,500	2,500	2,529
Non-renewable resource revenue transfer from (to) general revenues	1,276	3,946	784	356	(77)
Transfer for disaster and emergency expense	-	(915)	-	-	-
Transfer for natural gas rebates	-	(216)	-	-	-
Other net transfers ^a	-	793	-	-	-
	1,276	3,608	3,284	2,856	2,452
Cash adjustments					
Natural gas royalties	914	842	547	29	71
Foreign exchange valuation adjustment	-	(149)	-	-	-
Other	27	(15)	21	(17)	(23)
	941	678	568	12	48
Assets prior to reallocation	2,217	4,286	3,852	2,868	2,500
Reallocation to					
Debt Retirement Account	-	893	726	259	-
Capital Account	-	893	626	80	-
Assets at End of Year	2,217	2,500	2,500	2,529	2,500

^a Includes in-year increase in revenue excluding changes in non-renewable resource revenue and dedicated revenue/expense less any in-year revenue reduction initiatives. Also includes in-year changes in debt servicing costs and in capital cash requirements/retained income of funds and agencies.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2003 Actual	2004 Forecast	2005 Estimate	2006 Target	2007 Target
Financial Assets					
Total Heritage Fund equity	11,362	11,362	11,362	11,362	11,362
Less internal holdings of debt	(100)	(95)	(89)	(81)	(72)
Heritage Fund external investments	11,262	11,267	11,273	11,281	11,290
Self-supporting lending organizations					
Alberta Capital Finance Authority	3,992	4,049	4,067	4,029	4,016
Agriculture Financial Services Corporation	1,301	1,355	1,347	1,367	1,392
Endowment Funds					
Alberta Heritage Foundation for Medical Research	826	835	809	796	789
Alberta Heritage Science and Engineering Research	474	511	506	508	515
Alberta Heritage Scholarship	251	249	236	226	218
Sustainability Fund	-	2,500	2,500	2,529	2,500
Capital Account	910	1,180	718	187	-
Debt Retirement Account	2,010	1,241	478	-	-
Other Financial Assets					
Equity in commercial enterprises	1,062	1,244	1,400	1,551	1,715
Contingency Allowance ^a	-	-	260	533	805
Student loans	77	111	139	166	190
Other cash, marketable securities and accounts receivable	4,370	3,775	2,217	2,225	2,197
Total Financial Assets	26,535	28,317	25,950	25,398	25,627
Liabilities					
Accumulated Debt					
General Revenue Fund	6,913	5,230	3,843	3,234	3,263
Alberta Social Housing Corporation	528	506	482	456	427
School construction loans	608	526	451	381	316
Less: General Revenue Fund holdings of provincial corporations' debt	(1,303)	(1,307)	(1,310)	(1,342)	(1,277)
Accumulated Debt	6,746	4,955	3,466	2,729	2,729
Pension obligations	4,927	5,047	5,166	5,287	5,415
Self-supporting lending organizations					
Alberta Capital Finance Authority	3,992	4,049	4,067	4,029	4,016
Agriculture Financial Services Corporation	1,238	1,343	1,344	1,431	1,519
Less debt internally held by consolidated entities	(1,160)	(988)	(1,074)	(1,159)	(1,244)
Liabilities for government-owned capital ^b	-	-	151	481	702
Other Liabilities					
Accounts and interest payable	3,810	3,897	2,994	3,086	3,179
Guarantees, indemnities and remissions	88	86	126	124	124
Other accrued liabilities	153	154	154	156	157
Less other debt internally held by consolidated entities	(135)	(130)	(124)	(116)	(107)
Total Liabilities	19,659	18,413	16,270	16,048	16,490
Net Financial Assets	6,876	9,904	9,680	9,350	9,137
Capital Assets	10,285	10,464	10,872	11,285	11,565
Net Assets	17,161	20,368	20,552	20,635	20,702
Adjustment for pension obligations	4,927	5,047	5,166	5,287	5,415
Net Assets for Fiscal Policy Purposes^c	22,088	25,415	25,718	25,922	26,117

^a Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.

^b 2007 is net of an assumed \$1 million principal repayment.

^c Under the *Fiscal Responsibility Act*.

Capital Assets

(millions of dollars)

	2002-03	2003-04	2004-05	2005-06	2006-07
	Actual	Forecast	Estimate	Target	Target
Net book value at start of year	10,141	10,285	10,464	10,872	11,285
Capital investment	537	622	889	925	798
Capital amortization	(346)	(426)	(466)	(498)	(504)
Net book value of capital disposals	(47)	(17)	(15)	(14)	(14)
Net Book Value at End of Year	10,285	10,464	10,872	11,285	11,565

Debt Servicing Costs

(millions of dollars)

	2002-03	2003-04	2004-05	2005-06	2006-07
	Actual	Forecast	Estimate	Target	Target
Agriculture, Food and Rural Development					
Agriculture Financial Services Corporation	47	48	53	59	64
Finance					
General government	381	186	265	226	204
Infrastructure					
Financing costs for government-owned capital (P3s)	-	-	-	-	7
Learning					
Alberta School Foundation Fund	3	3	4	5	4
Seniors					
Alberta Social Housing Corporation	45	43	41	39	36
Total Debt Servicing Costs	476	280	363	329	315

Pension Obligations^a

(millions of dollars)

	At March 31				
	2003	2004	2005	2006	2007
	Actual	Forecast	Estimate	Target	Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	3,965	4,094	4,226	4,363	4,508
Universities Academic Pension Plan	157	163	169	174	180
Special Forces Pension Plan	60	62	54	66	68
	4,182	4,319	4,459	4,603	4,756
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan ^b	696	679	559	637	614
Members of the Legislative Assembly Pension Plan ^b	49	49	48	47	45
	745	728	707	684	659
Total Pension Obligations	4,927	5,047	5,166	5,287	5,415

^a Pension obligations are scheduled for elimination under a 1993 legislated plan.

^b Membership closed and pensionable service no longer being accrued.

General Revenue Fund Term Debt Maturities^a

	Par Amount in Cdn. Dollars (\$ millions)	Par Amount in U.S. Dollars (\$ millions)	Coupon Rate (%)	Maturity Date
2004-05 Term Debt Maturities				
2000 Euro U.S. Dollar notes ^b	260	200	7.25	April 5, 2004
1997 Alberta Savings Certificates	11		2.20	June 1, 2004
1994 Canadian debenture	600		6.38	June 1, 2004
1994 Japanese Yen Loan ^{b, c}	130	100	4.60	July 28, 2004
1999 Canadian medium-term notes	40		5.50	October 8, 2004
1999 Canadian debenture	394		5.75	December 1, 2004
2004-05 Total Term Debt Maturities	1,435	300		
2005-06 Term Debt Maturities				
1995 Canadian medium-term notes	125		8.45	May 16, 2005
1995 Japanese Yen loan ^d	28		4.40	September 13, 2005
1993 Euro Canadian dollar notes	500		7.25	October 28, 2005
1995 Canadian debenture	500		7.50	December 1, 2005
2005-06 Total Term Debt Maturities	1,153	-		
2006-07 Term Debt Maturities				
NO GENERAL REVENUE FUND TERM DEBT MATURITIES				

^a Excludes \$154.4 million in 2004-05, \$152.4 million in 2005-06, and \$119.4 million in 2006-07 of principal repayment on notes supported by provincial corporations.

^b U.S. dollar debt converted to Canadian dollars at a forecast foreign exchange rate of 77 cents.

^c Swapped into U.S. dollars.

^d Swapped into Canadian dollars.

Net Financing Requirements

(millions of dollars)

	2002-03 Actual	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
Requirements					
General Revenue Fund term debt maturities	1,560	1,615	1,435	1,153	-
School construction loans	90	83	75	70	66
Adjustments	20	93	(21)	23	25
Accumulated debt maturities	1,670	1,791	1,489	1,246	91
Provincial corporations' term borrowing requirements	124	150	247	249	248
Gross financing requirements	1,794	1,941	1,736	1,495	339
Cash applied to accumulated debt repayment	(1,670)	(1,791)	(1,489)	(737)	-
Net Term Debt Financing Requirements^a	124	150	247	758	339

^a Does not include public-private partnership financing requirements for government-owned capital assets.

Loans and Advances^a

(millions of dollars)

	At March 31	
	2003 Actual	2004 Forecast
Loans and Advances		
Agriculture Financial Services Act	981	1,074
Student Financial Assistance Act	149	206
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	168	180
Vencap Acquisition Corporation	6	6
Farm Credit Stability Act	42	24
Alberta Housing Act	21	23
Financial Administration Act		
Accountable advances	9	8
Pratt & Whitney Canada Inc.	2	2
Board of Governors, University of Alberta	1	1
University of Lethbridge Students' Union	1	-
	1,380	1,524
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(76)	(88)
Student Loan Relief Completion Payments	(60)	(74)
Other	(52)	(45)
	(188)	(207)
Total Loans and Advances	1,192	1,317

^a When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2003 Actual	2004 Forecast
Guarantees		
Feeder associations	52	52
Student Financial Assistance Act	58	44
Alberta Housing Act	50	42
Agriculture Financial Services Act	45	41
Farm Credit Stability Act	43	30
Securities Act	2	2
Centre for Engineering Research Inc.	2	1
Rural utilities loans	1	1
University of Calgary	1	1
	254	214
Estimated Liability		
Loan guarantees	(14)	(14)
Student Loan Relief Completion Payments	(6)	(3)
	(20)	(17)
Total Guarantees	234	197

2004-05 Allocation of Lottery Fund Revenue^a

(thousands of dollars)

Lottery Fund Revenue	1,167,831		
Agriculture, Food and Rural Development		Health and Wellness	
Agriculture initiatives	11,620	Human tissue and blood services	137,000
Agricultural service boards	5,000	Alberta Alcohol and Drug Abuse Commission	54,749
Children's Services		Community-based health services	10,000
Family and Community Support Services	30,000	Health services research	5,325
Community Development		Aboriginal health strategies	2,200
Alberta Foundation for the Arts	30,034	Human Resources and Employment	
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670	Disability related employment supports	8,438
Centennial legacy grants	13,000	Summer Temporary Employment Program	8,195
Wild Rose Foundation	7,766	Infrastructure	
Alberta Historical Resources Foundation	6,946	Post-secondary facilities	81,500
Volunteer services	3,580	Health care facilities	23,000
Hosting major athletic events	1,800	School facilities	22,000
Arts development	1,503	Centennial projects	20,000
Human Rights, Citizenship and Multiculturalism Education Fund	1,265	Centennial legacy grants	12,500
Sport and recreation	1,212	Seniors lodges	6,000
Edmonton 2004 Centennial	1,030	Innovation and Science	
Economic Development		Alberta SuperNet	41,000
International marketing	7,900	Alberta science and research investments program	33,495
Visitor support services	2,500	Alberta Energy Research Institute	14,595
In-Alberta/regional marketing	2,200	Informatics Circle of Research Excellence	10,010
Travel Alberta Secretariat	900	Alberta Agricultural Research Institute	8,675
Alberta image promotion	400	Alberta Forestry Research Institute	2,510
Research	200	Learning	
Gaming		School support - transportation subsidies	60,400
Racing industry renewal	45,000	Community education	15,300
Community Facility Enhancement Program	38,500	Learning television	4,600
Community Initiatives Program	30,000	High speed networking	4,000
Edmonton Northlands	7,100	Immigrant support services	3,600
Calgary Exhibition and Stampede	7,100	Achievement scholarships	3,100
Bingo associations	7,000	Municipal Affairs	
First Nations Development Fund	4,000	Municipal sponsorship	12,000
Major fairs and exhibitions	2,660	Unconditional municipal grants	12,000
Alberta Gaming Research Institute	1,500	Transportation	
Edmonton Oilers ticket lottery	1,350	Alberta cities transportation partnerships	75,000
Calgary Flames ticket lottery	1,350	Rural transportation partnerships	30,000
Alberta Gaming Research Council	100	Streets improvement program	20,000
Other initiatives	15,088	Municipal water and wastewater grants	20,000
		Water management infrastructure	10,000
		Infrastructure Canada/Alberta Program	5,000
		Finance	
		Contingency allowance	84,365
		Total Allocation	1,167,831

^a Includes \$6 million of Lottery Fund interest income.

Full-Time Equivalent Employment

	2003-04 Budget	2004-05 Estimate	Change
Legislative Assembly	436	447	11
Aboriginal Affairs and Northern Development	77	79	2
Agriculture, Food and Rural Development	1,640	1,708	68
Children's Services	2,539	2,539	-
Community Development	2,253	2,262	9
Economic Development	200	202	2
Energy	1,344	1,374	30
Environment	766	782	16
Executive Council	211	231	20
Finance	379	384	5
Gaming	39	42	3
Government Services	1,541	1,571	30
Health and Wellness	1,218	1,287	69
Human Resources and Employment	1,923	1,923	-
Infrastructure	843	843	-
Innovation and Science	804	808	4
International and Intergovernmental Relations	53	58	5
Justice	2,165	2,218	53
Learning	998	1,031	33
Municipal Affairs	317	319	2
Revenue	424	459	35
Seniors	322	328	6
Solicitor General	2,101	2,100	(1)
Sustainable Resource Development	1,905	1,906	1
Transportation	882	887	5
Total Full-Time Equivalent Employment	25,380	25,788	408

Premiums, Fees and Licences Changes

2003-04

2004-05

COMMUNITY DEVELOPMENT

Groomed Cross-Country Skiing Fees in Kananaskis Country

Per day ticket fees	-	\$2 - \$5
Season Pass (individual and family rates)	-	\$38 - \$139.50
Day facility and room rentals	-	\$20 - \$40

Park Heritage Appreciation and Education Services Fees

Consultation services (per hour)	-	\$50 - \$150
Outreach Programs (in-school)	-	\$50 - \$300
Instructional Workshops (per participant)	-	\$15 - \$45
Study Camps (per participant, daily and weekly rates)	-	\$30 - \$500
Media use of still photography (per image)	-	\$25 - \$500
Commercial filming (application and staff time per hour)	-	\$50 - \$250
Facility and room rentals	-	\$25 - \$200
Audio visual equipment rental (per day)	-	\$10 - \$15
Bus and Auto Tours (individual and family rates)	\$4.25 - \$6.50	\$2 - \$25
Special interpretive services and special events (individual and family rates)	\$4.25 - \$6.50	\$2 - \$25
Special interpretive services and special events (organizations)	\$100	\$100 - \$200
Educational programs delivered in park by park staff (per student, hourly, daily, weekly rates)	-	\$2 - \$160
Educational programs delivered in park by teachers (per student)	-	\$1.50 - \$3
Professional Development Workshops for Teachers (per teacher, hourly rates)	-	\$5 - \$10
Teacher activity/resource guides (each)	-	\$10 - \$25
Edu-kit educational material (per week)	-	\$25 - \$50

FINANCE

Alberta Insurance Council

Life and general insurance agent/adjuster annual licence fee	\$60	\$70
Single class general insurance and accident and sickness agent annual licence fee	\$25	\$45
Full life agent examination fee	\$25	\$90
General agent, adjuster and probationary life agent examination fee	\$25	\$50
Probationary to full life agent examination fee	\$25	\$45
Transfer and reinstatement fees for all types of certificates of authority	\$10	\$25
Annual fee for cost of investigating consumer complaints	\$600	\$750
Corporate Certificate authorization to sell creditor life, travel, warranty and property insurance	\$100 - \$5,000	\$150 - \$5,500
Continuing education accredited course provider	-	\$250
Continuing education individual course approval	-	\$100

JUSTICE

Maintenance Enforcement Program

Re-registration (each time)	-	\$200
Serving legal papers on behalf of clients (each service)	-	\$50
Default fee (each month)	-	\$25
Dishonoured payment (each item)	-	\$50
Non-reporting of payment (each payment)	-	\$50
Failure to file statement of finances	-	\$200
Service charge for interest collected	-	20%

Major Provincial Tax Rates, 2004

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00 ^a	9.68	8.79	9.80	10.57
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	17.84	15.17	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic amount	(\$)	14,337	8,523	8,264	7,634	8,044	6,275	7,756	7,231	7,412	7,410
Spousal amount	(\$)	14,337	7,298	8,264	6,482	6,830	6,275	6,586	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	11.5 ^b	13.5	17.0	15.5	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5 ^b	13.5	10-17 ^c	15.5	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
- rate	(%)	3.0 ^b	4.5	5.5	5.0	5.5	8.9	3.0	5.0	7.5	5.0
- threshold	(\$000)	400	300	300	360	400	n/a	400	250	250	250
Capital Tax											
General	(max. %)	—	—	0.60	0.50	0.30	0.60	0.30	0.25	—	—
Financial institutions	(max. %)	—	3.00	3.25	3.00	0.90	1.45 ^d	3.00	3.00	3.00	4.00
Retail Sales Tax											
	(%)	—	7.5	6.0	7.0	8.0	7.5 ^{e,f}	8.0 ^g	8.0 ^g	10.0 ^g	8.0 ^g
Gasoline Tax											
	(c./litre)	9.0	14.5 ^h	15.0	11.5	14.7	15.2 ^h	14.5 ^h	15.5 ^h	14.0	16.5 ^h
Tobacco Tax											
	(\$/carton)	32.00	35.80	32.00 ⁱ	31.00 ⁱ	19.70	20.60	23.50 ⁱ	26.04 ⁱ	29.90	30.00 ⁱ
Payroll Tax											
	(max. %)	—	—	—	2.15	1.95	4.26	—	—	—	2.00

Rates for other provinces known as of February 27, 2004.

- ^a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.
- ^b These rates are effective April 1, 2004. The previous rates were 4.0% for small business and 12.5% for the M&P and general rates.
- ^c The general rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.
- ^d The Quebec financial institutions capital tax includes the base rate of 1.20% and a compensatory tax of 0.25%.
- ^e These provinces' sales taxes are harmonized with the federal GST.
- ^f These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.
- ^g An additional 6c./litre is imposed in the greater Vancouver area, 2.5c./litre in Victoria and 1.5c./litre in Montreal.
- ^h These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.
- ⁱ Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Year Assumptions	Actual	Actual				
Prices						
Oil Price						
WTI (US\$/bbl)	24.17	29.04	30.75	26.00	25.00	25.00
Alberta Wellhead (Cdn\$/bbl)	31.46	39.40	35.28	28.44	28.00	28.00
Natural Gas Price						
Alberta Reference Price (Cdn\$/mcf)	3.94	4.98	5.64	4.20	4.15	4.01
Alberta Reference Price (Cdn\$/GJ)	3.74	4.72	5.35	3.98	3.94	3.80
Production						
Crude oil and equivalent (000's barrels/day)	1,478	1,498	1,623	1,665	1,753	1,855
Natural gas (billions of cubic feet)	5,547	5,352	5,166	5,001	4,817	4,603
Interest rates						
3-month Canada treasury bills (per cent)	3.14	2.77	2.75	2.50	3.25	4.00
10-year Canada bonds (per cent)	5.50	5.18	4.75	5.15	5.50	5.50
Exchange rate (US\$/Cdn\$)	63.9	64.6	74.3	77.0	77.0	77.0
	2002	2003	2004	2005	2006	2007
Calendar Year Assumptions	Actual	Actual				
Gross Domestic Product						
Nominal (millions of dollars)	150,292	172,103 ^a	175,408	182,543	191,161	200,864
per cent change	-0.2	14.5	1.9	4.1	4.7	5.1
Real (millions of 1997 dollars)	125,746	129,632 ^a	134,336	138,463	142,499	147,180
per cent change	3.2	3.1	3.6	3.1	2.9	3.3
Other Indicators						
Employment (thousands)	1,673.8	1,721.7	1,764.4	1,800.7	1,838.5	1,876.6
per cent change	2.6	2.9	2.5	2.1	2.1	2.1
Unemployment rate (per cent)	5.3	5.1	4.9	4.7	4.4	4.1
Housing starts (number of units)	38,754	36,171	33,600	32,000	31,200	30,700
Alberta Consumer Price Index	124.2	129.7	132.2	134.7	137.2	139.9
per cent change	3.4	4.4	1.9	1.9	1.9	1.9
Population (thousands)	3,114.4	3,154.0	3,199.5	3,246.8	3,295.0	3,344.6
per cent change	1.9	1.2	1.4	1.5	1.5	1.5

^a estimated

Sensitivities to Fiscal Year Assumptions, 2004-05^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-65	--	-65
Natural Gas Price (Cdn\$/mcf)	-10¢	-105	--	-105
Exchange Rate (US\$/Cdn\$)	+1¢	-118	-6	-112
Interest Rates	+1%	-93	+10	-103

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1985-86 to 2006-07^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
																			Forecast	Estimate	Target	Target
INCOME STATEMENT																						
Revenue																						
1 Personal income tax	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	5,085	5,438	5,786
2 Corporate income tax	780	396	595	687	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,796	1,957	1,976	2,070
3 School property tax	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,269	1,212	1,118	1,128	1,151	1,094	1,113	1,166	1,233	1,304	1,366
4 Other tax revenue	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,755	1,696	1,705	1,734
5 Resource revenue	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,446	4,784	4,356	3,923
6 Investment income	2,161	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,649	1,226	1,291	1,304
7 Other own-source revenue	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,319	3,922	4,000	4,090	4,141
8 Total own-source revenue	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,586	22,347	19,981	20,160	20,324
9 Federal transfers	1,788	1,689	1,912	2,135	1,943	2,365	2,157	2,090	1,929	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,991	2,971	3,182	3,265
10 Total Revenue	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,660	25,338	22,952	23,342	23,589
Expense by Function^b																						
11 Health	3,003	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,649	8,407	8,672	8,910
12 Basic / advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,887	6,354	6,439	6,508
13 Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,305	2,408	2,470	2,512
14 Other program expense	6,753	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,890	5,117	5,228	5,149
15 Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,731	22,286	22,809	23,079
16 Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	280	363	329	315
17 Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	22,011	22,649	23,138	23,394
18 Net Revenue (Spending)	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,131	3,327	303	204	195
19 Transfer from Capital Account																				416	741	425
20 Transfer from (to) Sustainability Fund																				(3,608)	(784)	(356)
21 Other requirements ^c																				(135)	—	—
22 Contingency Allowance																				—	260	273
BALANCE SHEET																						
23 Net Financial Assets (Debt) ^d	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,854	9,042	9,814	11,803	14,951	14,846	14,637	14,552
24 Capital Assets ^e	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,285	10,464	10,872	11,285	11,565
25 Net Assets (Debt) ^d	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,088	25,415	25,718	25,922	26,117
26 Pension obligations	5,500	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,047	5,166	5,287	5,415
27 Accumulated Debt ^f	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,714	2,988	2,729	2,729
28 Sustainability Fund assets																				—	2,500	2,529
29 Capital Account assets																				910	718	187

^a Numbers have been restated on 2004-05 basis where possible. Numbers for 2001-02 forward are fully comparable. For the period 1992-93 to 2000-01 numbers are essentially comparable to the 2004-05 presentation with exception of the treatment of disposal of capital assets (in most years variance of less than \$100 million). Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

^b Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

^c Other requirements is the net of retained income of funds and agencies and capital cash requirements. This amount is not available for transfer to the Sustainability Fund.

^d Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.

^e Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of \$449 million in capital assets, (primarily transfer of secondary highways to municipalities). In 2001-02, includes \$1.8 billion transfer of provincial secondary highway system from municipalities to the Province.

^f Net of capital assets for future debt repayments. In 2001-02, the amount of \$5,261 million includes commitment of \$414 million retirement based on a higher-than-expected year end cushion. This amount was transferred in 2002-03 from other capital assets.

CAPITAL PLAN

BUDGET
2004

ON ROUTE
ON COURSE

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2004-07 Capital Plan

Quality infrastructure is an essential part of the government's twenty-year strategic plan to achieve Alberta's vision of a vibrant and prosperous province. Over the last decade, rapid economic and population growth has strained the province's infrastructure network.

Last year, as part of its new fiscal framework, the government implemented a more systematic approach to addressing Alberta's infrastructure needs with the creation of the Capital Account and the use of alternative financing. For the first time, a three-year Capital Plan was published, setting out the government's commitment to capital projects.

This year, the new 2004-07 Capital Plan commits to support \$6.5 billion in capital projects over the next three years, consisting of:

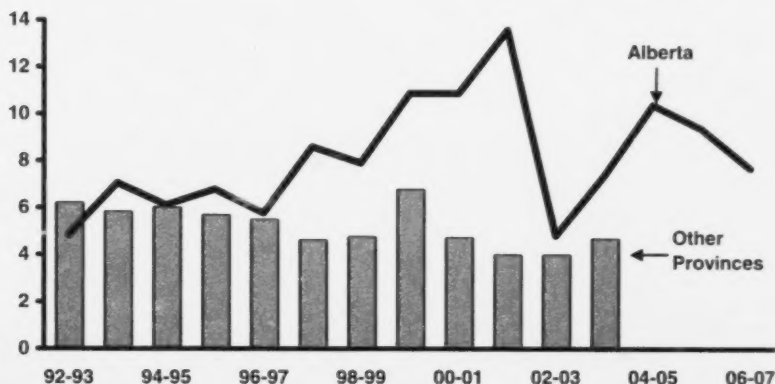
- over \$3.5 billion in support for the infrastructure of school boards, post-secondary institutions, health authorities, municipalities and other local authorities and organizations, and
- nearly \$3 billion in investment in provincial government-owned infrastructure.

This plan shows that the government is serious about addressing Alberta's infrastructure needs. Our level of support is unmatched in the rest of the Canada.

The 2004-07 Capital Plan commits to support \$6.5 billion in capital projects over the next three years.

Interprovincial Comparison of Capital Expenditures

(% of total spending)



Source: Dominion Bond Rating Service Limited, The Canadian and Provincial Governments - 2003 Overview, February 2004. Alberta data for 2002-03 to 2006-07 has been updated by Alberta Finance to reflect the latest Capital Plan information.

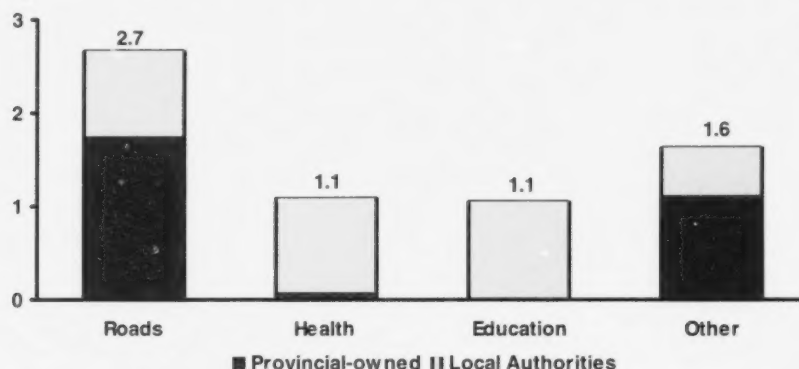
New capital projects will start and other projects will proceed at a quicker pace than was planned last year.

Capital Priorities

The 2004-07 Capital Plan commits nearly \$6.5 billion to provincial and local infrastructure over the next three years. This is \$900 million more than was committed in the 2003-06 Capital Plan. The increased support means that new capital projects will start and other projects will proceed at a quicker pace than was planned last year.

Capital Plan – Support for \$6.5 Billion of Capital Projects

(billions of dollars)



Over \$3.5 billion of local authorities' capital projects and equipment purchases.

Close to \$3 billion of government-owned capital and equipment.

LOCAL AUTHORITIES' PROJECTS

The Capital Plan will support over \$3.5 billion of local authorities' capital projects and equipment purchases. Support has been focused in three main areas – health, education and municipal transportation – with each area receiving around \$1 billion over the next three years. In addition, over \$500 million in capital projects will be supported in such areas as water and wastewater management, community facilities, centennial projects and housing programs. This support will help local authorities continue to deliver quality services to Albertans in their communities.

PROVINCIAL GOVERNMENT-OWNED CAPITAL

The prime area of investment in government-owned capital will be the provincial highway network, with over \$1.7 billion being invested over the next three years. About \$1.2 billion will address pressing needs for new or upgraded government-owned facilities, parks and information technology systems.

Capital Plan Summary

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Supported local authority projects				
Municipal transportation	324	308	302	934
Health facilities and equipment	393	404	215	1,012
Schools	221	202	213	636
Post-secondary facilities	228	100	88	416
Water and wastewater management	56	56	56	168
Community facilities and centennial projects	65	53	41	159
Other	86	65	35	186
Subtotal	1,373	1,188	950	3,511
Provincial government-owned projects				
Provincial highway network	587	577	577	1,741
We//net and health information systems	40	20	21	81
Water and wastewater management	33	33	33	99
Centennial projects	30	28	15	73
Other programs	77	12	7	96
Other capital and information technology	253	365	239	857
Subtotal	1,020	1,035	892	2,947
Total Capital Plan	2,393	2,223	1,842	6,458

Funding Sources of the 2004-07 Capital Plan

The fiscal framework introduced in *Budget 2003* allows the government to address Alberta's infrastructure needs more systematically. Previously, the amount allocated in a particular year for capital depended primarily on the resource revenue outlook for that year. The base budget for capital was about \$1.1 billion per year. In good years, significantly more money could be spent. In other years, the capital budget would have to be held closer to the base amount. This uncertainty made capital planning difficult for both the provincial government and its local partners.

The Capital Plan averages nearly \$2.2 billion a year, nearly double what was previously included in the annual base budget.

The government now has flexibility to enter into more predictable, longer-term capital commitments through the use of the Capital Account and alternative financing. This new approach has also allowed capital spending over the next three years to be nearly doubled from what was previously included in the annual base budget. The 2004-07 Capital Plan averages nearly \$2.2 billion a year.

The 2004-07 Capital Plan is funded from three sources:

- Current-year revenues – close to \$3.4 billion, or slightly over half of the three-year Capital Plan, will be funded from current-year revenues. This used to be the only source of funding for capital.
- Capital Account – \$1.9 billion, or about 30%, will be funded from the Capital Account.
- Alternative financing – over \$1.2 billion in capital projects will be funded through alternative financing, including public-private partnerships (P3s).

Funding Sources of the Capital Plan

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Support for local authorities' capital				
Current-year revenue	632	563	625	1,820
Capital Account	741	425	—	1,166
Alternative financing	—	200	325	525
Total	1,373	1,188	950	3,511
Government-owned capital				
Current-year revenue	522	519	483	1,524
Capital Account	347	186	187	720
Public-Private Partnerships (P3s)	151	330	222	703
Total	1,020	1,035	892	2,947
Total Capital Plan				
Current-year revenue	1,154	1,082	1,108	3,344
Capital Account	1,088	611	187	1,886
Alternative financing/P3s	151	530	547	1,228
Total	2,393	2,223	1,842	6,458

The Capital Account will fund \$1.9 billion in capital projects.

\$1.2 billion of alternative financing will be used for approved capital projects over the next three years.

CAPITAL ACCOUNT

The Capital Account helps increase the predictability of capital spending by allowing money to be carried forward from one year to pay for capital projects in future years. The Capital Account was established in 2002-03, with a deposit of \$910 million.

Additional funds can be transferred to the Capital Account when the balance of the Sustainability Fund exceeds \$2.5 billion. It is expected that \$893 million will be allocated to the Capital Account from the Sustainability Fund in 2003-04. Further planned allocations of \$706 million over the next two years will bring total funding of the Capital Account to \$2.5 billion.

This \$2.5 billion is being used to fund capital projects of both local authorities and the provincial government. The Capital Account funded \$623 million in capital projects in 2003-04, and will fund a further \$1.9 billion in capital projects over the next three years.

ALTERNATIVE FINANCING

It is anticipated that \$1.2 billion of alternative financing will be used for approved capital projects over the next three years. Last year, the government accepted the recommendation of the Financial Management Commission to use alternative financing for some capital projects. This could include both public-private partnerships and capital borrowing.

Two public-private partnership projects are expected to begin construction in 2004-05, the Calgary Courts Centre and Edmonton Southeast Ring Road. In both cases, a private consortium will design, finance, construct, operate and maintain the asset for a period of 30 years. The government will make payments over 30 years, instead of paying for the projects as they are built. The net present value of the alternative financing for the two projects is forecast at \$703 million over the next three years.

The Capital Plan also assumes that alternative financing of \$525 million will be used for approved capital projects of local authorities, starting in 2005-06. The specific projects and methods of alternative financing have not yet been determined. The government will pay the financing costs for these alternatively financed projects.

All alternative financing proposals, including those for local authorities' projects funded by the province, must be assessed on their merits using a thorough business-case analysis. The Advisory Committee on Alternative Capital Financing, a committee of private-sector experts, is assisting the government with these assessments to determine if value for taxpayers' money is being achieved.

PUBLIC-PRIVATE PARTNERSHIPS (P3s)

Public-private partnerships allow the government to access private-sector expertise and innovation in constructing capital projects and provide the opportunity to reduce ongoing operating and maintenance costs. P3s will only be pursued where value for money can be achieved compared to traditional means of construction, financing and operating. An important factor is the degree to which risks associated with the design, financing, construction and operation of facilities are transferred to the private sector.

Alberta will account fully for all of its P3 projects.

New Calgary Courts Centre expected to be completed in early 2007.

Southeast portion of the Edmonton ring road expected to be completed by the fall of 2007.

Alberta will account fully for all of its P3 projects. If the project is a capital lease, as is expected to be the case with the Calgary Courts Centre and the Edmonton Southeast Ring Road, the government will report a capital asset equal to the net present value of future capital lease payments on its balance sheet, together with an offsetting liability, in recognition of its obligations under the agreement with the private-sector partner.

CALGARY COURTS CENTRE

In October 2003, BPC Realty Holdings was selected as the Province's preferred partner to develop a consolidated court facility in downtown Calgary. Negotiations are in the final stages. Occupancy is expected in early 2007.

Currently, the Court of Appeal, the Court of Queen's Bench and the four divisions of the Provincial Court in Calgary are located in six different facilities, and there are increasing challenges to provide sufficient space for courtroom services in these facilities. The Calgary Courts Centre project will make the justice system much more accessible and efficient for Calgarians and those living in surrounding areas by bringing all three levels of the courts together in one place and providing for future expansion.

EDMONTON SOUTHEAST RING ROAD

The southeast portion of the Edmonton ring road is planned to be Alberta's first highway constructed through a public-private partnership. Alberta Transportation has identified three qualified partners to submit proposals to construct and operate the road.

Construction is expected to begin in the fall of 2004, with completion by the fall of 2007 if there are no significant delays due to weather. The road will be built to freeway standards immediately, so there should be no add-on construction costs over the 30-year life of the agreement. If the process for this P3 highway project works well, the same model could be used for further sections of the ring roads in both Edmonton and Calgary.

Capital Plan Details

\$1.7 billion for the provincial highway network.

PROVINCIAL HIGHWAY NETWORK

The largest component of the Capital Plan is the investment of \$1.7 billion in the provincial highway network. Capital projects will include new highways, highway resurfacing and widening, interchange and intersection construction and improvements, and bridge work. Major projects over the next three years include:

- twinning the North-South Trade Corridor,
- continued work of the North-South Trade Corridor on interchanges at 130th Avenue South and Douglasdale Drive on the Deerfoot Trail in Calgary,
- the Calgary and Edmonton ring roads, including commencing work on the southeast section of the Edmonton ring road and the northwest section of the Calgary ring road,
- 20 interchanges, including Highway 2 at Innisfail, the Trans Canada Highway in Medicine Hat and at Cassils Road in Brooks, and Highway 16 at Campsite Road,
- 34 bridge replacements and 12 new bridges, and
- work on almost 2,800 kilometers of highways across Alberta.

\$934 million for municipal transportation grants.

MUNICIPAL TRANSPORTATION GRANTS

The Capital Plan includes \$934 million over the next three years for annual municipal transportation grants based on:

- 5 cents per litre of fuel delivered in Edmonton and Calgary,
- \$60 per capita for all other urban municipalities, and
- formula-based grants for rural municipalities.

\$1.1 billion for health facilities and equipment.

HEALTH FACILITIES AND EQUIPMENT

The Capital Plan will support nearly \$1.1 billion of health facilities and equipment. \$913 million of health facilities are planned, consisting of \$163 million for new projects and \$750 million for ongoing projects, including:

- the new Alberta Children's Hospital in Calgary,
- the Alberta Heart Institute in Edmonton,
- expansion and upgrading of the Royal Alexandra Hospital in Edmonton,
- completion of the Red Deer Regional Hospital redevelopment, and
- upgrading or replacing long-term care facilities in Westlock and other rural areas.

\$180 million is being provided for diagnostic and medical equipment. We//net and other health-related information systems. The diagnostic and medical equipment is funded by transfers from the federal government.

\$636 million for school capital projects.

\$416 million for post-secondary facilities.

\$267 million for water and wastewater management.

\$232 million for community facilities and centennial projects.

SCHOOLS

The Capital Plan will support \$636 million of school capital projects, consisting of \$236 million for the construction of new and replacement schools, and \$400 million for expansion and upgrading of existing schools.

Over the next three years, \$473 million will be provided to complete projects currently in progress and \$163 million will be available for new projects.

POST-SECONDARY FACILITIES

The Capital Plan will support \$416 million of post-secondary projects, consisting of:

- \$166 million of new post-secondary facilities, including continued construction of the Health Research Innovation Centres at the Universities of Alberta and Calgary, and the National Institute for Nanotechnology in Edmonton, and
- \$250 million for expansion, upgrading and major maintenance of existing facilities.

Over the next three years, \$312 million will be provided to complete projects currently in progress and \$104 million will be available for new projects.

WATER AND WASTEWATER MANAGEMENT

The Capital Plan includes \$267 million for water and wastewater management, consisting of:

- \$96 million in grants to municipalities for water and wastewater treatment,
- \$90 million for government-owned dams, canals and erosion-control infrastructure,
- \$72 million in irrigation rehabilitation grants, and
- \$9 million for upgrades to government water monitoring systems.

COMMUNITY FACILITIES AND CENTENNIAL PROJECTS

The Capital Plan will provide \$232 million for community facilities and centennial projects over the next three years, consisting of:

- \$116 million for the Community Facility Enhancement Program,
- \$73 million for government centennial projects, including planning of the Provincial Museum redevelopment and upgrading the Calgary and Edmonton Jubilee Auditoria, and
- \$43 million for centennial legacy and partnership grants, and heritage infrastructure grants.

*\$282 million for other
infrastructure programs.*

OTHER INFRASTRUCTURE PROGRAMS

The Capital Plan includes \$282 million for other infrastructure programs managed by various ministries, consisting of:

- \$76 million for the Canada/Alberta Affordable Housing Agreement,
- \$68 million for Alberta's share of the Infrastructure Canada/Alberta Program, which is cost-shared on an equal basis among the federal, provincial and municipal governments,
- \$41 million to complete the Alberta SuperNet,
- \$26 million for upgrading provincial parks including water and wastewater improvements,
- \$19 million for the Leduc Agrivalue Processing Incubator,
- \$10 million for a level III biocontainment laboratory,
- \$8 million for upgrading seniors lodges,
- \$4 million for waste management grants, and
- \$30 million for other capital projects.

OTHER GOVERNMENT CAPITAL AND INFORMATION TECHNOLOGY

The Capital Plan will support \$857 million of other provincial government capital and information technology projects.

Capital Plan Details

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Provincial Highway Network				
Strategic Economic Corridors				
Rural North-South Trade Corridor	96	70	56	222
Urban North-South Trade Corridor - Deerfoot Trail	22	22	16	60
Edmonton ring road	107	130	110	347
Calgary ring road	30	71	119	220
Other economic corridors	35	53	45	133
Subtotal Strategic Economic Corridors	290	346	346	982
Highway Construction				
Four-lane construction	9	3	26	38
Highway expansion projects	20	21	21	62
Interchanges and intersections	6	4	6	16
Bridge replacements	9	13	14	36
Other	122	80	70	272
Subtotal Highway Construction	166	121	137	424
Highway Rehabilitation and Planning	131	110	94	335
Total Provincial Highway Network	587	577	577	1,741
Municipal Transportation Grants	324	308	302	934
Health Facilities and Equipment				
New and replacement facilities	81	133	40	254
Expansion and upgrading of existing facilities	263	221	175	659
Diagnostic and medical equipment	49	50	-	99
We/net and other government health systems	40	20	21	81
Total Health Facilities and Equipment	433	424	236	1,093
Schools				
New and replacement schools	97	65	74	236
Expansion and upgrading of existing schools	124	137	139	400
Total Schools	221	202	213	636
Post-secondary Facilities				
New facilities	128	34	4	166
Expansion, upgrading and major maintenance	100	66	84	250
Total Post-secondary Facilities	228	100	88	416
Water and Wastewater Management				
Municipal water and wastewater grants	32	32	32	96
Irrigation rehabilitation grants	24	24	24	72
Government water management infrastructure	30	30	30	90
Government water monitoring systems	3	3	3	9
Total Water and Wastewater Management	89	89	89	267
Community Facilities and Centennial Projects				
Community Facility Enhancement Program	38	39	39	116
Centennial legacy and heritage infrastructure grants	27	14	2	43
Government centennial projects	30	28	15	73
Total Community Facilities and Centennial Projects	95	81	56	232

Capital Plan Details - *continued*

(millions of dollars)

	2004-05 Estimate	2005-06 Target	2006-07 Target	Three-year Total
Other Infrastructure Programs				
Government				
Alberta SuperNet	41	-	-	41
Provincial parks upgrading	7	12	7	26
Leduc Agrivalue Processing Incubator	19	-	-	19
Level III biocontainment laboratory	10	-	-	10
Grants to Local Authorities				
Canada/Alberta Affordable Housing Agreement	51	25	-	76
Infrastructure Canada/Alberta Program	27	27	14	68
Seniors lodges	6	2	-	8
Waste management	2	1	1	4
Other	-	10	20	30
Total Other Infrastructure Programs	163	77	42	282
Other Government Capital and Information Technology	253	365	239	857
Total Capital Plan	2,393	2,223	1,842	6,458



ECONOMIC OUTLOOK

BUDGET
2004

ON ROUTE
ON COURSE

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Economic Outlook

The Alberta economy demonstrated its fundamental strength and resilience in 2003, growing by an estimated 3.1% despite some significant challenges. Alberta's economic growth was fuelled by a rebound in conventional energy investment and a robust household sector.

In 2004, an improving North American economy is expected to accelerate Alberta's growth to 3.6%. Over the medium term, economic growth is expected to average a healthy 3.1%, with the higher Canadian dollar and declining natural gas production moderating growth somewhat. Continued strong employment gains are expected to reduce Alberta's unemployment rate – already the lowest in Canada at the end of 2003 – to 4.1% by 2007.

Key Energy and Economic Assumptions

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Year Assumptions	Actual	Actual				
Prices						
Oil Price						
WTI (US\$/bbl)	24.17	29.04	30.75	26.00	25.00	25.00
Alberta Wellhead (Cdn\$/bbl)	31.46	39.40	35.28	28.44	28.00	28.00
Natural Gas Price						
Alberta Reference Price (Cdn\$/mcf)	3.94	4.98	5.64	4.20	4.15	4.01
Alberta Reference Price (Cdn\$/GJ)	3.74	4.72	5.35	3.98	3.94	3.80
Production						
Crude oil and equivalent (000's barrels/day)	1,478	1,498	1,623	1,665	1,753	1,855
Natural gas (billions of cubic feet)	5,547	5,352	5,166	5,001	4,817	4,603
Interest rates						
3-month Canada treasury bills (per cent)	3.14	2.77	2.75	2.50	3.25	4.00
10-year Canada bonds (per cent)	5.50	5.18	4.75	5.15	5.50	5.50
Exchange rate (US\$/Cdn\$)	63.9	64.6	74.3	77.0	77.0	77.0
	2002	2003	2004	2005	2006	2007
Calendar Year Assumptions	Actual	Actual				
Gross Domestic Product						
Nominal (millions of dollars)	150,292	172,103 ^a	175,408	182,543	191,161	200,864
per cent change	-0.2	14.5	1.9	4.1	4.7	5.1
Real (millions of 1997 dollars)	125,746	129,632 ^a	134,336	138,463	142,499	147,180
per cent change	3.2	3.1	3.6	3.1	2.9	3.3
Other Indicators						
Employment (thousands)	1,673.8	1,721.7	1,764.4	1,800.7	1,838.5	1,876.6
per cent change	2.6	2.9	2.5	2.1	2.1	2.1
Unemployment rate (per cent)	5.3	5.1	4.9	4.7	4.4	4.1
Housing starts (number of units)	36,754	36,171	33,600	32,000	31,200	30,700
Alberta Consumer Price Index	124.2	129.7	132.2	134.7	137.2	139.9
per cent change	3.4	4.4	1.9	1.9	1.9	1.9
Population (thousands)	3,114.4	3,154.0	3,199.5	3,246.8	3,295.0	3,344.6
per cent change	1.9	1.3	1.4	1.5	1.5	1.5

^a estimated

ALBERTA IN 2003

A Year of Surprises and Challenges

The Alberta economy had to deal with some major challenges in 2003, including the economic impacts of Bovine Spongiform Encephalopathy (BSE) and an unprecedented 22% rise in the Canadian dollar. Despite these challenges, Alberta achieved real economic growth estimated at 3.1%, even as Canada's economic growth fell almost in half, from 3.3% in 2002 to 1.7% in 2003.

- The discovery of two cases of BSE in 2003 with linkages to Alberta had severe consequences for Alberta's cattle producers, as well as for the many Alberta communities that rely on the beef industry. Alberta's live cattle and beef exports (valued at \$2.3 billion in 2002) were effectively shut down from mid-May to September, and resumed only on a limited basis through the remainder of the year.
- \$776 million in emergency assistance (roughly half of which was expensed in 2003) helped to mitigate the adverse impacts of BSE, but Alberta livestock receipts still declined by 26% in 2003. Farm cash receipts declined by 16%, despite over \$1.3 billion in program payments (an increase of 31% from 2002). As a result of record program payments, farm cash receipts were the fourth highest on record, and were actually up by 2% from the 1997 to 2001 five-year average.
- The dramatic rise in the Canadian dollar, along with a sluggish U.S. economy in the first half of the year, had an adverse impact on Alberta's non-energy exports. Excluding energy and primary agricultural products, the value of Alberta's international exports declined by 5.1% in 2003.

Alberta's Numerous Strengths Sustained Healthy Economic Growth

- Despite these challenges, the Alberta economy grew by an estimated 3.1% in 2003. Alberta's growth came from a variety of sources, reflecting the broad-based strength of the Alberta economy.
- Higher energy prices spurred a sharp increase in conventional energy sector investment, with the average number of rigs drilling up 36% for the year. This more than offset a reduction in oil sands investment, which moderated to an estimated \$5 billion after reaching a record high of \$6.7 billion in 2002.
- Alberta's manufacturing sector turned in a strong performance in 2003, with shipments up 5.0% for the year, compared to a decline of 1.0% nationally.
- While growth in retail sales moderated to 4.1% in 2003, Alberta's growth exceeded the national average for the fourth consecutive year. Alberta's retail sales remained by far the highest in Canada on a per capita basis, 24% above the national average per capita sales.

- New housing construction continued at near-record levels. Alberta's housing starts moderated to 36,171 in 2003, slightly below the 20-year high recorded in 2002, but an impressive 23% above the average number of starts over the preceding five years.
- Alberta led the country in job growth in 2003, recording a 2.9% increase in employment. The Alberta economy created 47,900 jobs, with full-time jobs accounting for about 80% of the increase. As a result of this strong performance, Alberta enjoyed the lowest unemployment rate of any province in December 2003 at 4.8%.

Other Developments

- Alberta's CPI inflation rate returned to low levels in the latter part of 2003, following two years of relatively high inflation (which was due in large part to inflation measurement anomalies associated with natural gas rebates). While CPI inflation averaged 4.4% for 2003 as a whole, the Alberta inflation rate declined steadily in the second half of the year, falling to a year-over-year rate of only 1.2% in December.
- Alberta's strong economy continued to attract large numbers of migrants from other provinces. For the seventh consecutive year, Alberta had the highest level of net inter-provincial migration in Canada, with a net increase of over 12,000 persons in 2003. Alberta also led the country in overall population growth.

GLOBAL ECONOMIC OUTLOOK

Conditions are favourable for solid growth in the world economy in 2004, led by strong anticipated U.S. growth.

The global economy is expected to grow by over 4% in real terms, its best performance in four years. Supported by an expected decline in international tensions and a strong U.S. recovery, most of the world's major economies are poised for stronger performances in 2004.

The Japanese economy is finally showing signs of emerging from its decade-long slump. Continuing strong expansion in several of the larger emerging economies, including China and India, will provide a further boost to global growth. After recording growth of only 0.5% in 2003, the European Union is expected to expand by around 2% in real terms in 2004.

U.S. Economy on Track for Strong Growth in 2004

A reviving business sector is expected to lead the U.S. economy to a strong performance in 2004. After two years of uneven growth, which was sustained primarily by high levels of consumer and government expenditures, the U.S. economic recovery finally gained a broader footing in the second half of 2003. U.S. real economic growth came in at a healthy 3.1% in 2003, despite a slow start to the year.

Exceptionally strong growth in corporate profits and business investment, particularly in the last half of 2003, has the U.S. business sector poised for healthy expansion in 2004. As well, U.S. employment showed some signs of recovery in the second half of 2003. In conjunction with continued large productivity gains in 2003, these developments should translate into relatively healthy income gains in 2004.

With U.S. inflationary pressures remaining low, the U.S. Federal Reserve Board is expected to maintain interest rates at or near current levels through 2004. The federal funds rate currently stands at 1%, the lowest level in 45 years. As a result, monetary conditions should remain exceptionally supportive of growth in investment and consumer/household demand, providing a boost to economic growth in the near term.

One of the most significant developments of 2003 was the dramatic and widespread decline of the U.S. dollar in world currency markets. Several major currencies appreciated substantially in relation to the U.S. dollar, including the Canadian dollar (+22%), the Australian dollar (+34%), the Euro (+20%) and the Japanese Yen (+10%). This development should also promote recovery in the struggling U.S. export and manufacturing sectors.

U.S. Imbalances a Cautionary Factor for Medium-Term Outlook

While the recent depreciation of the U.S. dollar should lead to a reduction in the massive U.S. trade deficit, the ballooning U.S. federal budget deficit is a source of growing concern. The budget deficit increased to over \$500 billion, or nearly 5% of GDP in 2003, and will likely continue to grow unless significant policy changes are enacted.

U.S. economic growth is expected to average 3.3% for the 2005-2007 period, with higher exports fuelled by the decline in the U.S. dollar and a continued recovery in business investment being the main drivers of growth. This forecast assumes an appropriate and timely policy response to the U.S. fiscal imbalances.

Canadian Economy to Rebound in 2004

In 2003, the Canadian economy experienced a number of setbacks. These included lower exports due, in part, to the dramatic rise of the Canadian dollar, the economic fallout from an outbreak of SARS (Severe Acute Respiratory Syndrome), severe forest fires in British Columbia, and BSE. As a result, Canada's economic growth slowed substantially, from 3.3% in 2002 to 1.7% in 2003.

However, the national economy showed clear signs of recovery in the latter part of the year. Employment growth picked up substantially in the final four months of 2003, with an increase of 205,000 jobs from August through December, more than double the net gain in jobs in the first eight months of the year. Canada's real economic growth accelerated in the second half of 2003, to a 3.8% annual rate in the fourth quarter.

Given the unprecedented magnitude and speed of the Canadian dollar's rise, the full economic effects of the higher dollar are unlikely to be known for some time. While deteriorating terms of trade with the United States will certainly have a negative impact on many export sectors in the short term, the expected strong rebound in the U.S. economy should provide a significant boost to U.S. import demand over the forecast horizon, mitigating the effects of the higher dollar to a significant degree. Furthermore, since the depreciation of the U.S. dollar has been a global phenomenon, Canada's competitive position has not deteriorated relative to most other export markets.

There are also benefits to a higher Canadian dollar. The higher dollar should lead to significant increases in Canadian capital investment, since a large percentage of capital equipment is imported from the United States and will become less costly in Canadian dollar terms. This should enhance the productivity and growth of the Canadian economy over the medium and long term. Falling prices of imports will also act to reduce Canada's inflation rate, allowing for lower Canadian interest rates.

With Canada's inflation rate falling to less than 2% in the final months of 2003, well within the Bank of Canada's target range of 1% to 3%, there is latitude for an easing of monetary conditions in 2004. If upward pressure on the Canadian dollar continues, it is expected that the Bank of Canada will lower interest rates to prevent further dramatic increases in the value of the Canadian dollar. The Bank of Canada rate stands at 2.25%, close to a 40-year low. These conditions should help to spur investment and sustain the current strength of Canadian consumer/household demand.

Despite challenges, the Canadian economy remains fundamentally sound and is expected to stage a solid recovery in 2004 and beyond. Over the medium term, Canadian growth is expected to average a healthy 3.0% per year.

Energy Outlook

Despite relatively modest global economic growth, world oil prices are estimated to have averaged US\$30.75 per barrel in 2003-04, up from \$29.04 in 2002-03. This was due to a variety of factors, including lower than anticipated post-war oil production in Iraq and low inventories. Oil prices are expected to decline significantly in 2004-05, to US\$26. Recent high prices should spur increased production among both OPEC and non-OPEC producers, offsetting the effects of growth in global oil demand. Prices are expected to moderate further to US\$25 in 2005-06 and 2006-07.

Low natural gas storage levels through much of 2003, along with high oil prices, contributed to a substantial rise in the price of natural gas in the past year. Prices are estimated to have averaged \$5.64 per thousand cubic feet in 2003-04, up from \$4.98 in 2002-03. Increased North American drilling activity and higher storage levels are expected to lead to a moderation of natural gas prices throughout the forecast period. The price of natural gas is expected to

decline to \$4.20 in 2004-05, and moderate further to \$4.15 in 2005-06 and \$4.01 in 2006-07. Even with these anticipated declines, prices for both oil and natural gas are expected to remain relatively high by historical standards.

ALBERTA ECONOMIC OUTLOOK

Alberta's economic growth is expected to accelerate to 3.6% in 2004, due to a continued strengthening of business investment and a recovery in export demand from a rebounding U.S. economy. Over the medium term, Alberta is expected to enjoy a strong and sustainable growth rate of 3.1%, on average.

The dramatic developments of 2003 – in particular, BSE and the unprecedented rise of the Canadian dollar – are not expected to have a substantial effect on Alberta's overall economic growth, notwithstanding the significant costs to the sectors most affected by these developments.

Alberta's largest export sector, oil and gas, will see its revenues decline as a result of the Canadian dollar's rise, since these commodities are generally priced in U.S. dollars and so have depreciated in value. In 2003, these exchange rate effects were offset by significant increases in oil and gas prices. Over the forecast period, declining world energy prices will reduce revenues and profits in the sector, although prices are expected to remain high enough to maintain healthy levels of energy investment.

The Alberta economy also stands to reap some long-term benefits from a higher dollar. As the most investment-intensive provincial economy (investment accounts for roughly 20% of Alberta's real GDP), Alberta will experience large cost reductions for imported capital equipment, spurring additional investment.

Alberta's consumer/household sector is expected to remain robust over the forecast period, sustained by the province's strong economic and employment growth and supported by continued low interest rates. Alberta's housing starts are expected to decline slightly from their current near-record levels, but to remain high by historical standards. Consumer spending is expected to grow by an average of 3.2% annually in real terms through 2007.

In the medium term, Alberta's economy will be driven by growth in investment, which is expected to increase by an average of 5.2% annually in real terms. Due to continued rapid expansion of oil sands production, real oil exports are expected to grow at an average rate of 4.5% annually through 2007, offsetting a decline in natural gas exports as a result of lower gas production. An ongoing decline in Alberta's natural gas production is the main reason Alberta's economic growth is expected to be similar to the Canadian average over the medium term (3.1%, versus 3.0% nationally). Over the longer term, higher levels of investment and resulting productivity gains should sustain Alberta's real economic growth at healthy levels.

Alberta's employment outlook remains bright. The Alberta economy is expected to add another 42,700 jobs in 2004, for employment growth of 2.5%. This will further reduce Alberta's unemployment rate. Over the medium term, Alberta's employment growth is expected to average 2.1% per year, which should reduce the unemployment rate to 4.1% by 2007.

Inflation is expected to remain near its recent low levels. Most of the factors responsible for higher Alberta CPI inflation in 2002 and 2003 have now worked their way through the system, and are not expected to have significant impacts on the inflation rate going forward. Alberta's annual inflation rate is expected to fall to under 2% in 2004, from 4.4% in 2003, and remain in the range of 2% through 2007.

Alberta's healthy economic outlook is supported by an unmatched set of strengths. The province enjoys not only the lowest overall tax burden in Canada, but also the lowest per capita public debt. As a result, Alberta has a personal and corporate tax regime that is both internationally competitive and fiscally sustainable. These conditions will continue to support the province's dynamic and increasingly diversified business sector, and should ensure strong future growth in employment and incomes, despite inevitable challenges. Albertans already enjoy the highest average personal incomes and the lowest unemployment rate in Canada, and the province's exceptionally strong economic and fiscal fundamentals leave Alberta uniquely positioned for strong future growth and prosperity.

RISKS

- A greater than expected appreciation of the Canadian dollar would have a negative effect on export volumes and provincial oil and gas revenues, with the potential to reduce both Canadian and Alberta economic growth in the near term.
- Lower oil and gas prices would be of particular concern to Alberta if accompanied by a significantly higher-than-forecast Canadian dollar. However, given the historically positive relationship between movements in major commodity prices and the value of the Canadian dollar, this risk is likely limited in scope.
- The U.S. budget and trade deficits represent a risk to the forecast, particularly in the medium term.
- Developments in Iraq, as well as the potential threat of terrorist acts against the United States, also remain notable risk factors for the U.S. and global outlooks.
- Future developments regarding BSE are another risk factor for the Alberta outlook. An early resolution of this issue represents an 'upside' risk to the forecast.

Sensitivities to Fiscal Year Assumptions, 2004-05^a

(millions of dollars)

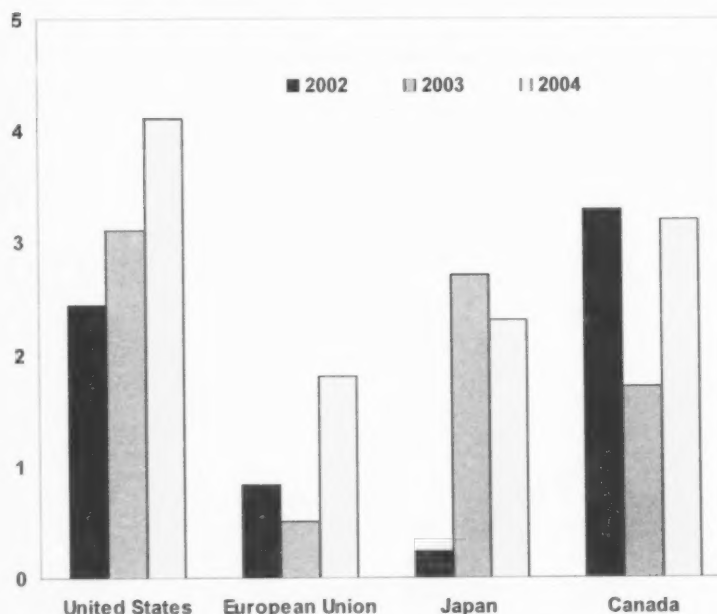
	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-65	--	-65
Natural Gas Price (Cdn\$/mcf)	-10¢	-105	--	-105
Exchange Rate (US¢/Cdn\$)	+1¢	-118	-6	-112
Interest Rates	+1%	-93	+10	-103

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

GLOBAL ECONOMY ON UPSWING

Real Gross Domestic Product (per cent change)

- A reviving business sector is expected to fuel growth of over 4% in the United States in 2004.
- In the medium term, an ongoing recovery in business investment and rising exports due to a lower U.S. dollar should help sustain U.S. growth at healthy levels.
- With Japan showing signs of emerging from its decade-long economic slump, and continued strong growth in major emerging economies such as China and India, global economic growth is expected to accelerate to 4.3% in 2004, its best performance in four years.

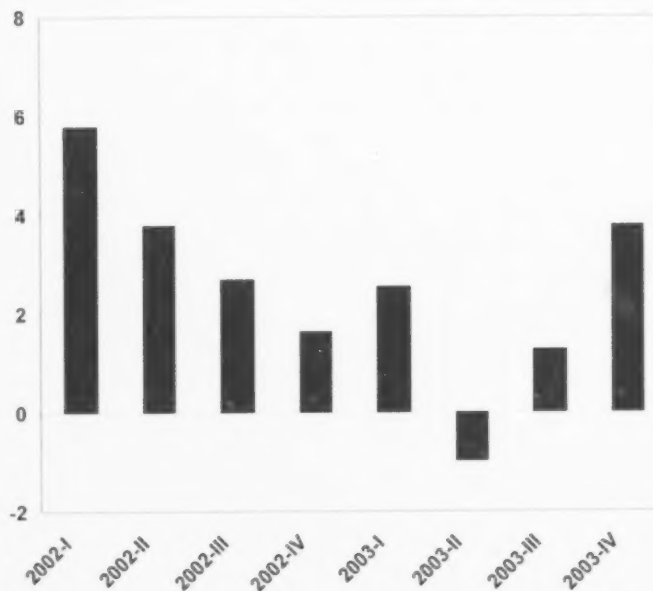


Source: International Monetary Fund, U.S. Department of Commerce, Alberta Finance

CANADIAN GROWTH SLOWS IN 2003

Real GDP (quarterly per cent change, at annualized rates)

- Due largely to a number of extraordinary developments, the Canadian economy faltered through most of 2003.
- Growth was hampered by an unprecedented 22% rise in the value of the Canadian dollar, which hurt exports, as well as SARS and BSE.
- As a result, Canadian growth fell from 3.3% in 2002 to only 1.7% in 2003. However, the economy rebounded strongly late in the year, with growth accelerating to 3.8% on an annualized basis in the fourth quarter.

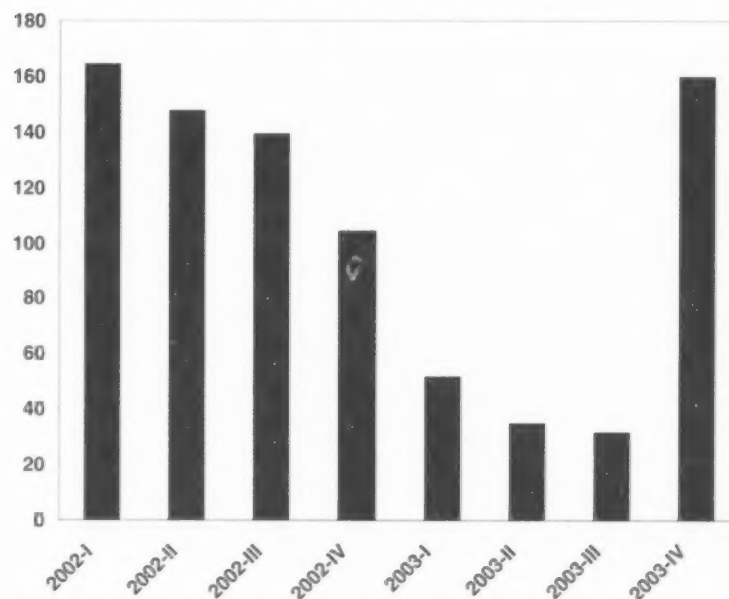


Source: Statistics Canada

CANADIAN JOB GROWTH RECOVERS IN LATE 2003

Net Employment Gain (thousands)

- After a significant slowdown in the first eight months of 2003, Canada's job growth rebounded sharply near the end of the year.
- Over 160,000 new jobs were added in the fourth quarter of 2003. In total, employment was up by 334,000 in 2003, only slightly below the gains posted in 2002.
- Job growth was strongest in the services sector. In the goods sector, 32,200 jobs were lost in manufacturing, due in large part to the sharply higher Canadian dollar.

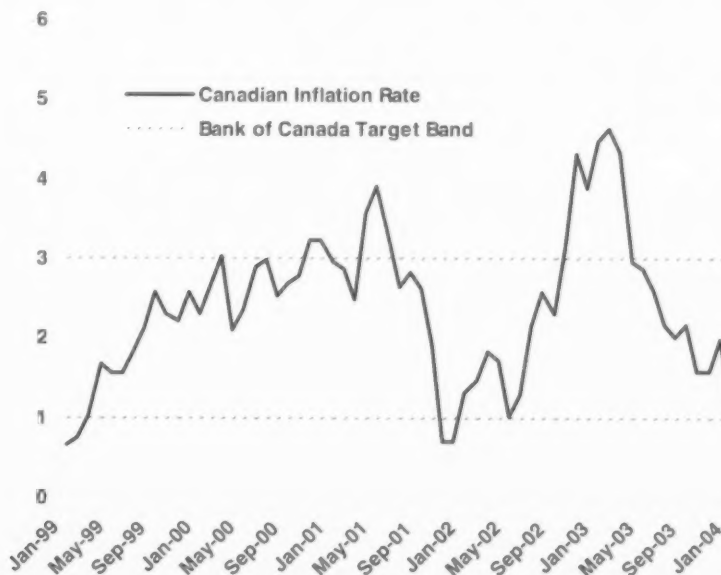


Source: Statistics Canada

INFLATION PRESSURES EASE

Consumer Price Index (per cent change)

- Canada's CPI inflation rate declined steadily through most of 2003, falling from 4.6% in February to 2.0% in December, and just 1.2% in January 2004.
- The Bank of Canada has indicated that it expects core inflation to remain below 2% into late 2005, due to modest underlying price pressures and spare capacity in the Canadian economy.

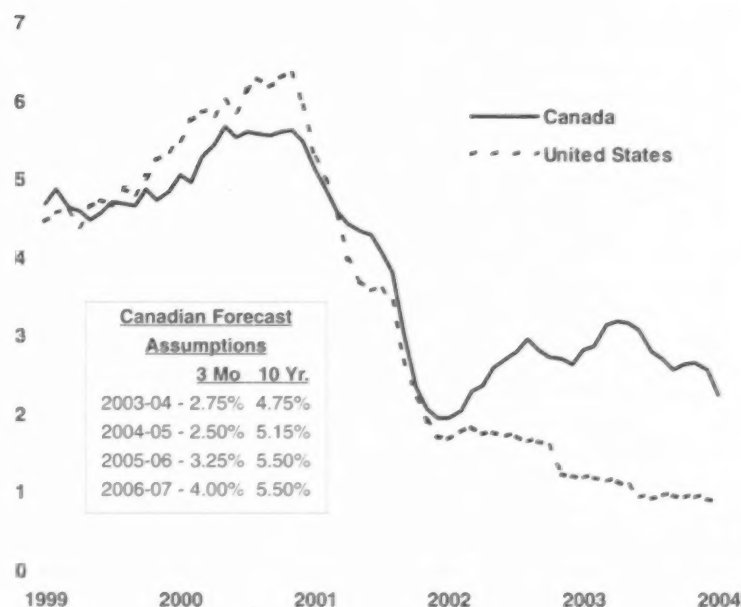


Source: Statistics Canada

- The U.S. federal funds rate stands at a 45 year low of 1%.
- Due to a slowdown in the Canadian economy and reduced concerns regarding inflation, the Bank of Canada has reduced interest rates by a full percentage point since mid-2003. The overnight rate currently stands at 2.25%.
- U.S. and Canadian interest rates are expected to remain low in 2004. No increases are expected until the latter part of 2004, at the earliest. With Canadian inflation expected to remain low, further declines in Canadian interest rates are possible in the short term.

LOWEST INTEREST RATES IN DECADES

3-month Treasury Bills (per cent)

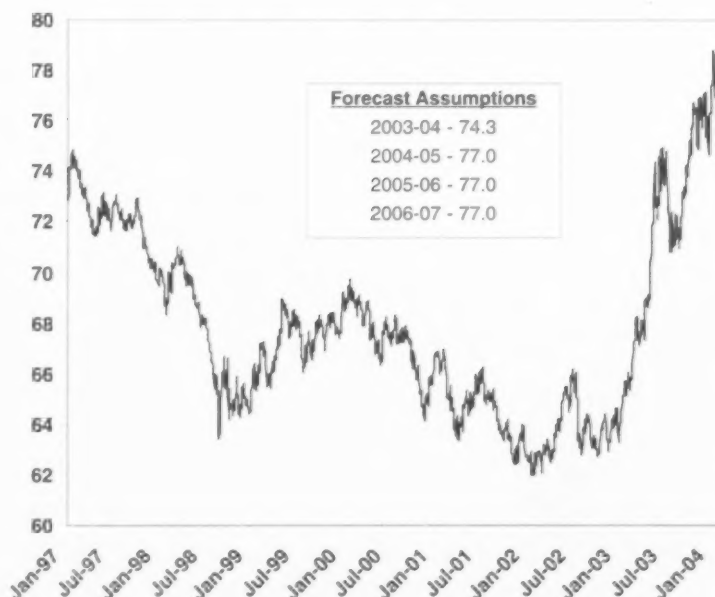


Source: Bank of Canada, Federal Reserve Bank of St. Louis, and Alberta Finance

CANADIAN DOLLAR SOARS

Canadian Exchange Rate (US cents/Cdn\$)

- During 2003, the Canadian dollar soared an unprecedented 22%, rising from 63.3 cents U.S. at the beginning of January to 77.5 cents U.S. at year end.
- While the dramatic decline of the U.S. dollar was a global phenomenon, the relatively high Canada/U.S. interest rate spread was a factor in sustaining the Canadian dollar's rise.
- With strong U.S. economic growth and a narrowing Canada - U.S. interest rate spread (due to higher expected U.S. rates), the Canadian dollar is expected to stabilize at around 77 cents U.S.



Source: Statistics Canada and Alberta Finance

OIL PRICES EXPECTED TO MODERATE

WTI Price (US\$/bbl, daily)

- The price of oil remained well above its historical average through 2003, due largely to lower than anticipated post-war production in Iraq and low inventories.
- Recent high prices are expected to spur production among both OPEC and non-OPEC producers, leading to an increase in global oil supply. Along with an anticipated reduction in geopolitical tensions in 2004, oil prices are expected to moderate, returning to a long-run level of around US\$25 by 2005-06.

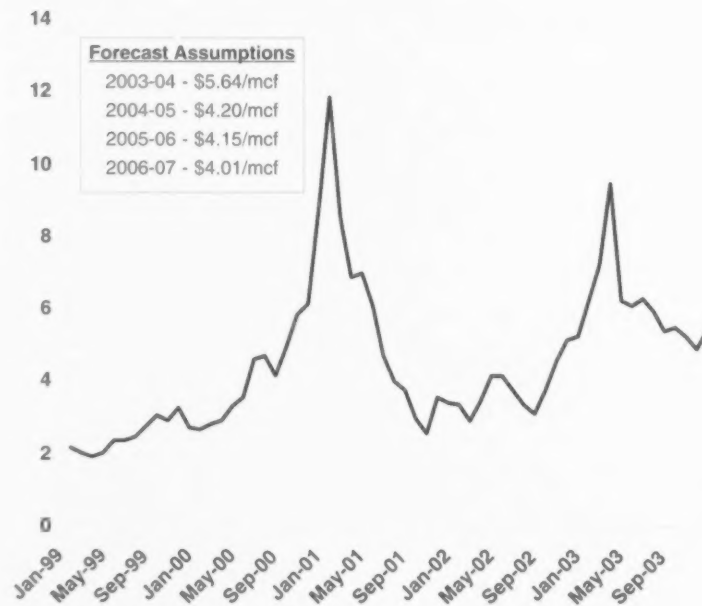


Source: Alberta Energy

NATURAL GAS PRICES EXPECTED TO MODERATE

Alberta Reference Price (Cdn\$/mcf, monthly)

- Natural gas prices spiked in early 2003, and then declined through most of the remainder of the year. However, prices remained relatively high by historical standards.
- In 2003, natural gas prices were supported at above-average levels by the high price of oil (a substitute for natural gas) along with low storage levels through much of the year.
- Prices are expected to average \$5.64 per thousand cubic feet (mcf) in 2003-04, moderating to \$4.20 in 2004-05, \$4.15 in 2005-06 and \$4.01 in 2006-07, due to increased North American drilling activity and lower oil prices.

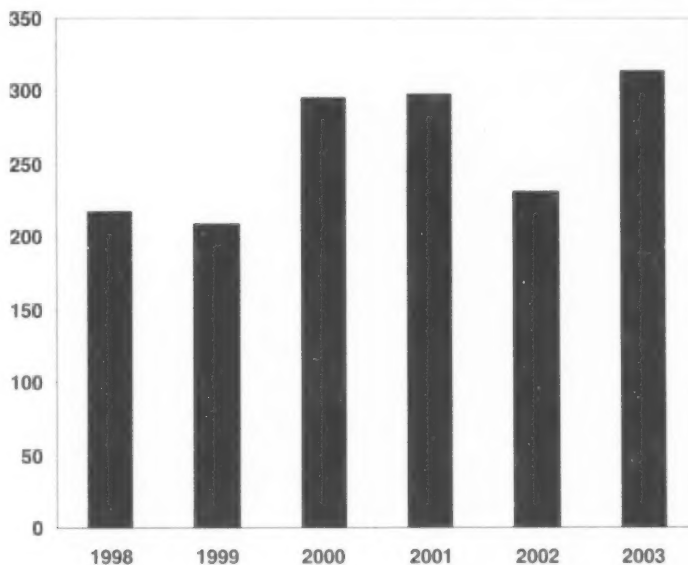


Source: Alberta Energy

CONVENTIONAL OIL AND GAS ACTIVITY STRENGTHENS

Average Number of Rigs Drilling (Alberta)

- The average number of rigs drilling in Alberta increased by 36% in 2003, due to strong oil and gas prices.
- While energy prices are expected to moderate, they are expected to remain relatively high by historical standards, sustaining drilling activity at healthy levels throughout the forecast period.

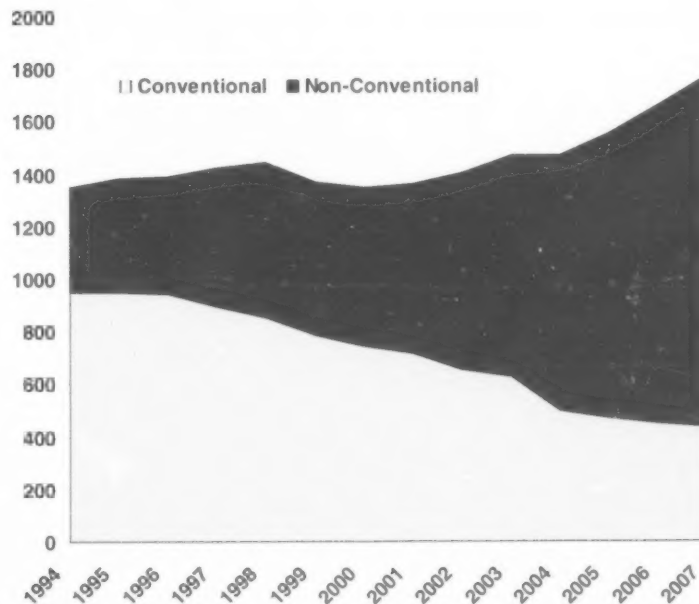


Source: Canadian Association of Oilwell Drilling Contractors

NON-CONVENTIONAL OIL STILL GROWING

Conventional and Non-Conventional Oil (thousands of barrels per day)

- In 2002, non-conventional oil overtook conventional oil as Alberta's largest source of production. By 2007, it is expected that non-conventional oil will make up approximately three quarters of Alberta's total oil production.
- With oil sands investment expected to remain high over the next decade, non-conventional oil will represent an ever-increasing share of Alberta's total oil production.

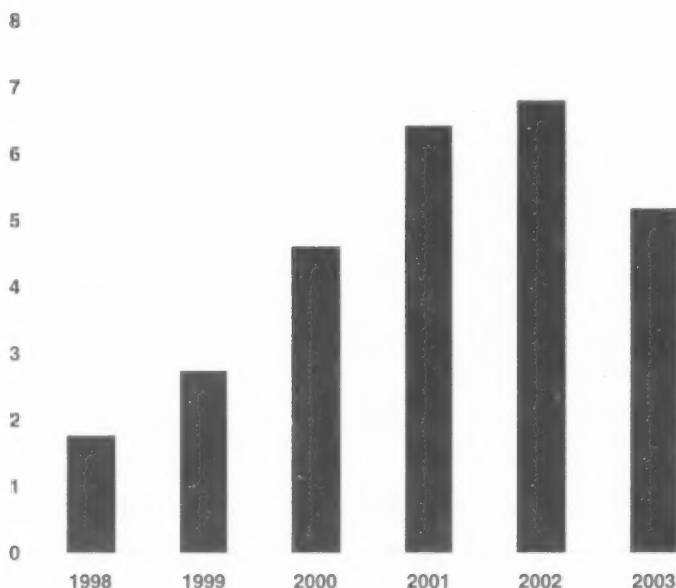


Source: Alberta Energy and Utilities Board

OIL SANDS INVESTMENT TO REMAIN HIGH

Non-Conventional Energy Investment (billions of dollars)

- Oil sands investment increased dramatically between 1995 and 2002, rising from under \$1 billion to \$6.7 billion.
- Oil sands investment moderated to around \$5 billion in 2003, due largely to capacity constraints. Ongoing projects will keep investment levels high (in the range of \$5-\$6 billion) throughout the forecast period.

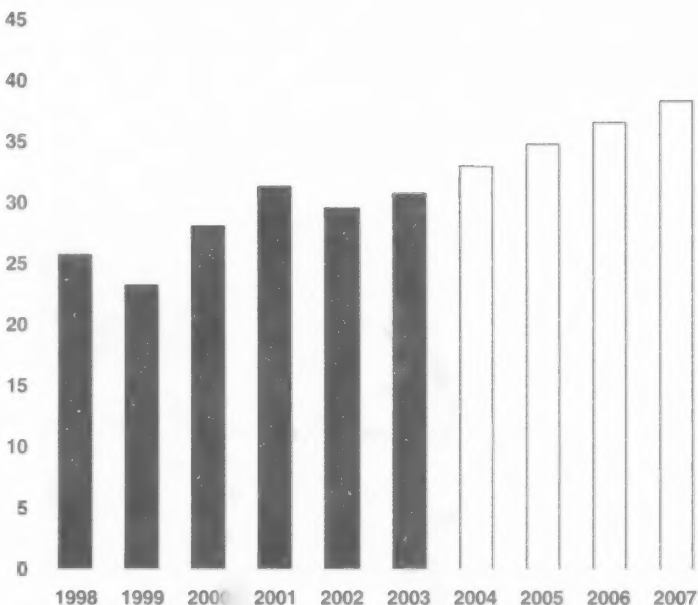


Source: Statistics Canada

BUSINESS INVESTMENT TO GROW

Real Business Investment (billions of 1997 dollars)

- Alberta's total business investment is expected to increase at an average rate of 5.2% over the medium term.
- Future investment growth in Alberta will be fuelled to a significant degree by the non-energy sector, as energy investment slows in the medium term to an average annual rate of around 2%.
- Investment growth will be led by high value-added sectors such as manufacturing, transportation, telecommunications and services, sustaining Alberta's strong economic growth and further diversifying the Alberta economy.

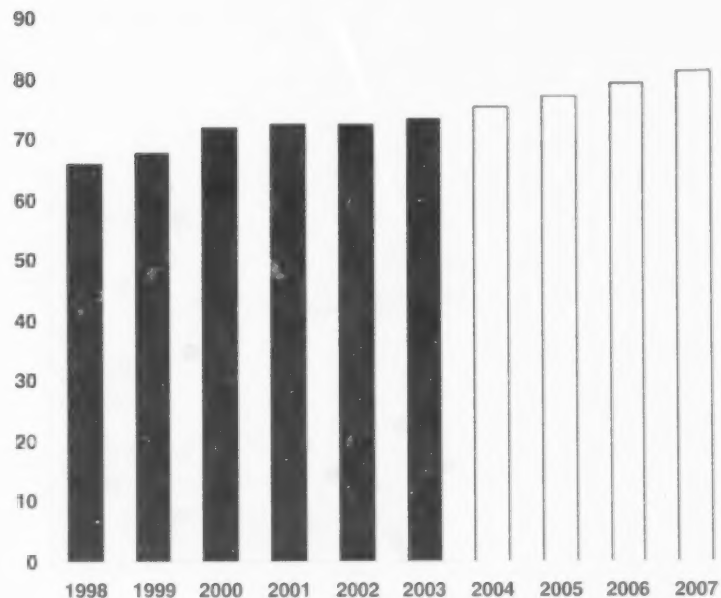


Source: Statistics Canada and Alberta Finance

ALBERTA'S EXPORTS REMAIN STRONG

Alberta Real Exports (billions of 1997 dollars)

- Despite the rising Canadian dollar, Alberta's exports are expected to remain strong, led by energy (non-conventional oil in particular), manufacturing and services.
- A strong recovery in U.S. demand is expected to spur growth in Alberta's exports over the forecast period.
- Overall, Alberta's exports are expected to rise by 2.5% per year in real terms through 2007.



Source: Alberta Finance

ALBERTA'S CPI INFLATION RATE TO MODERATE

Consumer Price Index (year-over-year per cent change)

- Alberta's CPI inflation rate returned to more normal levels in the latter part of 2003. While inflation averaged 4.4% for the year (up from 3.4% in 2002), inflation fell steadily in the second half of 2003, declining to under 2% by the end of the year.
- Most of the factors responsible for higher Alberta inflation in recent years are not expected to have an impact on inflation in 2004 and beyond.
- Alberta's annual inflation rate is expected to fall to just under 2% in 2004, and remain in the range of 2% over the remainder of the forecast period.

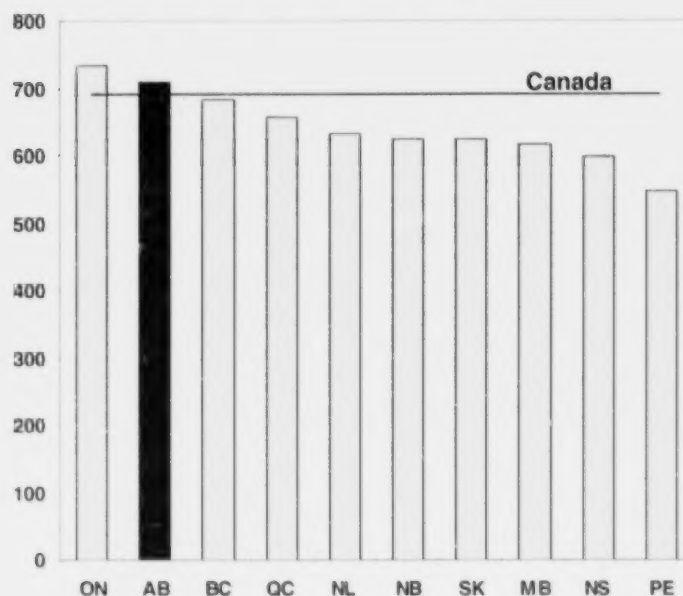


Source: Statistics Canada and Alberta Finance

- Alberta's average weekly earnings are second only to Ontario's.
- In 2003, Alberta's total labour income grew by 4.1%.
- Over the medium term, wages are expected to increase at a rate slightly above inflation, sustained by continued productivity gains in the Alberta economy.

WAGE LEVELS AMONG HIGHEST IN CANADA

Average Weekly Earnings, 2003 (dollars)

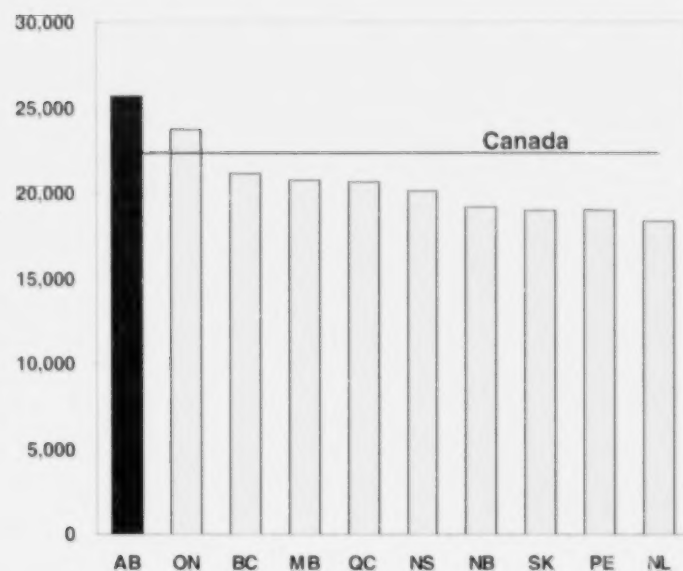


Source: Statistics Canada and Alberta Finance

HIGHEST DISPOSABLE INCOME IN CANADA

Personal Disposable Income Per Capita, 2002 (dollars)

- At \$25,701, Alberta had the highest average personal disposable income of any province in 2002, the latest year for which data is available.
- In 2002, Alberta's disposable income per capita was more than \$3,400 (15.4%) above the Canadian average of \$22,272.

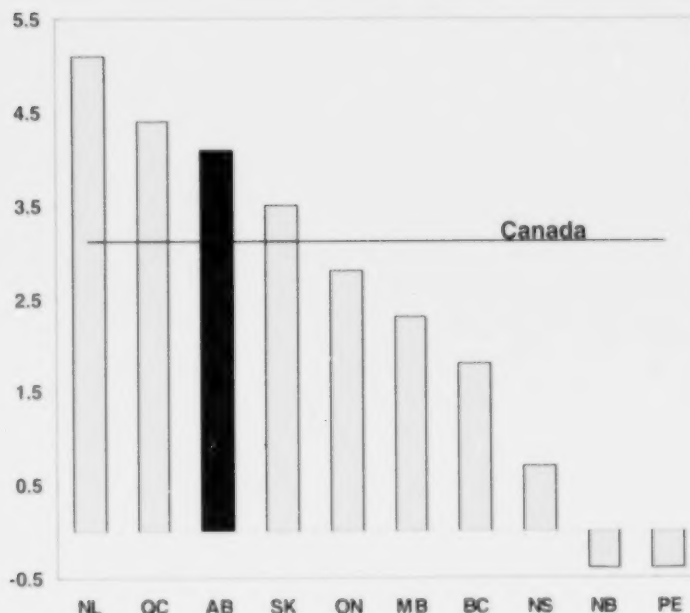


Source: Statistics Canada and Alberta Finance

- Alberta's retail sales grew by 4.1% in 2003, well above the national average of 3.1% growth.
- Alberta's retail sales strength was especially evident in the area of durable goods. Low interest rates, high incomes and a booming housing market fuelled strong sales in the home furnishing sector.

STRONG RETAIL SALES GROWTH

(annual per cent change)

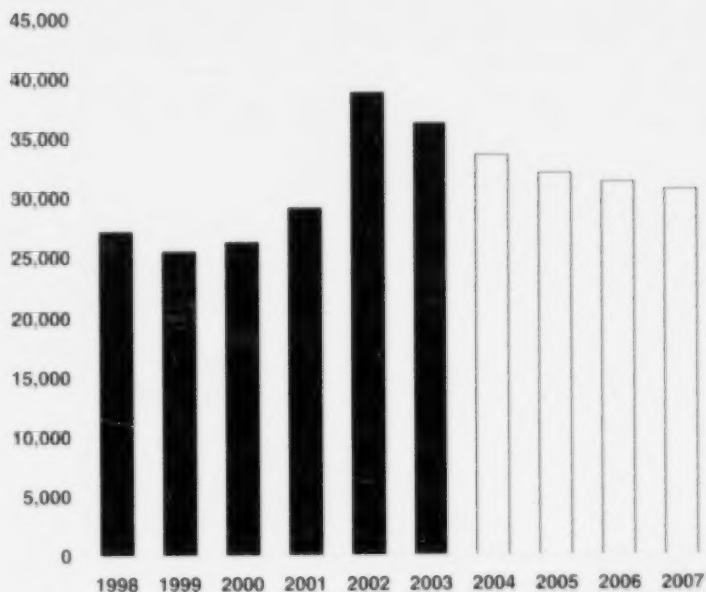


Source: Statistics Canada

- Housing starts in 2003 were supported by Alberta's strong economy and labour market, along with low interest rates.
- Although down slightly from the 20-year high recorded in 2002, Alberta recorded 36,171 housing starts in 2003, 23% above the average number of starts over the preceding five years.
- Over the medium term, housing starts in Alberta are expected to moderate slightly from recent highs, but remain strong due to healthy inter-provincial migration and a robust Alberta economy.

STRONG ALBERTA HOUSING STARTS TO CONTINUE

Housing Starts (units)

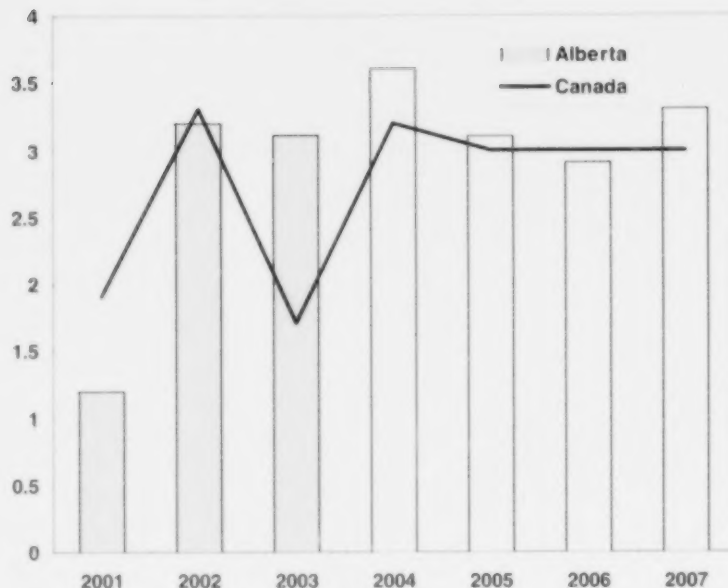


Source: Canada Mortgage and Housing Corporation and Alberta Finance

ALBERTA'S STRONG ECONOMIC GROWTH TO CONTINUE

Real GDP (per cent change)

- Alberta's economic growth is expected to remain strong, accelerating from 3.1% in 2003 to 3.6% in 2004. Factors such as BSE and the higher Canadian dollar will not substantially reduce Alberta's growth.
- Over the medium term, Alberta's real growth is forecast to continue at a healthy pace of about 3.1%, on average. This growth will be supported by healthy levels of investment and growing manufacturing and services exports.

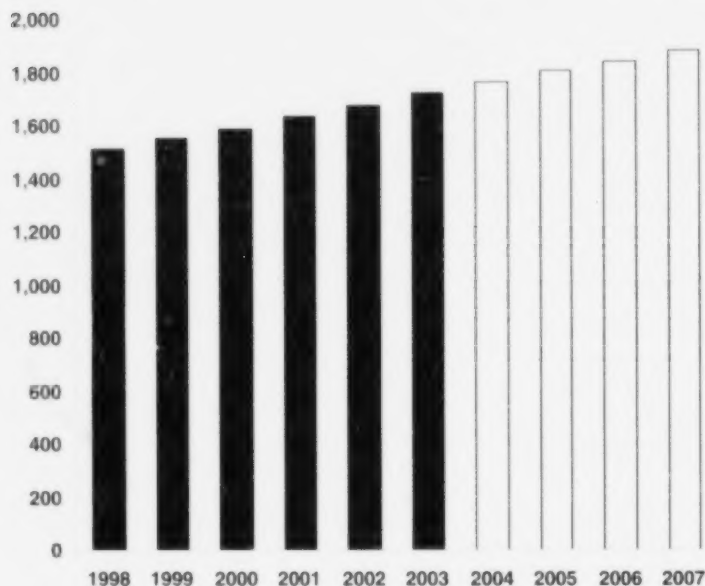


Source: Statistics Canada and Alberta Finance

ALBERTA JOB GROWTH TO REMAIN STRONG

Alberta's Employment (thousands)

- Spurred on by continued strong economic growth, Alberta employment increased in 2003 by 47,900 jobs, or 2.9% (the highest rate of growth in Canada). An additional 42,700 new jobs are forecast for 2004.
- Over the medium term, employment growth is expected to average around 2.1% per year. Growth will be moderated somewhat by population constraints, as changing demographics reduce the growth of Alberta's working-age population.
- The Alberta economy is expected to generate 154,900 new jobs from 2004 to 2007.

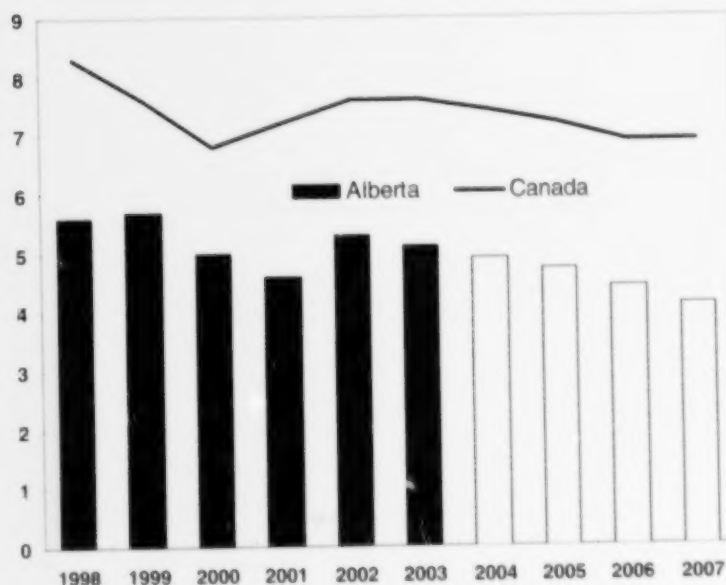


Source: Statistics Canada and Alberta Finance

- Healthy employment growth allowed Alberta's annual unemployment rate to fall to 5.1% in 2003, despite a large increase in the number of people entering the job market.
- By year's end, Alberta's monthly unemployment rate had fallen to 4.8%, the lowest of any province and one third below the national rate of 7.4%.
- With strong economic growth forecast for Alberta, unemployment is expected to decline steadily over the forecast period, falling to 4.1% by 2007, the lowest level in a quarter century.

LOWEST UNEMPLOYMENT RATE IN CANADA

Unemployment Rate (per cent)

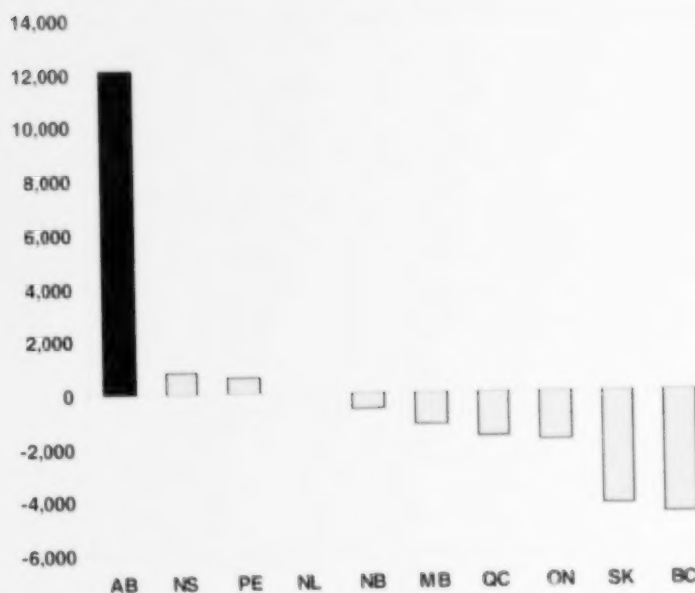


Source: Statistics Canada and Alberta Finance

- A strong labour market, healthy wage gains and low provincial tax rates continued to attract large numbers of people to the province.
- For the seventh consecutive year, Alberta had the highest level of net in-migration of any province. Between July 1, 2002 and June 30, 2003, 12,081 Canadians moved to Alberta.
- Over the medium-term, continued strong interprovincial migration levels are expected to add about 16,000 people per year to Alberta's population.

HIGHEST INTERPROVINCIAL MIGRATION AMONG PROVINCES

Interprovincial Migration (thousands)
Between July 1, 2002 and June 30, 2003



Source: Statistics Canada

Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2004	2005	2006	2007
National Forecasting Agencies				
Conference Board of Canada (Dec/03)	27.73	26.42	26.20	25.82
Global Insight (Mar/04)	28.00	26.30	25.50	26.00
Investment Dealers				
CS First Boston (Jan/04)	26.00	23.00	n/a	n/a
Goldman Sachs (Feb/04)	27.00	25.00	21.00	21.00
JP Morgan (Feb/04)	29.00	27.00	26.20	25.60
Lehman Brothers (Feb/04)	29.70	21.00	22.00	22.00
RBC Dominion Securities (Jan/04)	26.00	24.00	24.48	24.97
Industry Analysts				
Canadian Energy Research Institute (Mar/04)	31.00	29.00	n/a	n/a
Peters & Co. Limited (Feb/04)	30.00	27.00	23.00	23.00
High	31.00	29.00	26.20	26.00
Low	26.00	21.00	21.00	21.00
Average	28.27	25.41	24.05	24.05
Alberta Government (calendar year)	27.86	25.06	25.00	25.00

In developing its energy price forecasts, the Department of Energy also looks at private forecasts from the following forecasters: PIRA, Purvin & Gertz, CGES, EIA, Petroleum Economics Ltd. and Ziff.

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$/bbl)

Organization	How Did They Do 2003 ^a	What They Were Saying About 2004 in Budget 2003	What They Are Saying About 2004 in Budget 2004
Actual	31.04		
CS First Boston	-2.54	23.00	26.00
Canadian Energy Research Institute	-5.04	22.75	31.00
Conference Board of Canada	-0.86	26.52	27.73
Global Insight	-0.91	23.84	28.00
Goldman Sachs	-3.66	23.00	27.00
JP Morgan	-2.74	25.80	29.00
Lehman Brothers	-3.54	23.00	29.70
Peters & Co. Limited	-4.04	24.00	30.00
RBC Dominion Securities	-4.54	24.00	26.00
Average	-3.10	23.99	28.27
Alberta Government (calendar year)	-5.04	22.00	27.86

^a This compares an organization's forecast for 2003 at the time of Budget 2003 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Natural Gas Price Forecast Benchmark

Alberta Average Reference Price (Cdn\$/mcf)

Organization	2004	2005	2006	2007
Canadian Energy Research Institute (Feb/04)	6.05	5.56	5.84	6.11
Gilbert Lausten Jung Associates (Jan/04)	5.50	4.85	4.75	4.75
National Bank Financial (Jan/04)	4.20	4.30	n/a	n/a
Peters & Co. Limited (Feb/04)	6.00	5.32	4.32	4.32
High	6.05	5.56	5.84	6.11
Low	4.20	4.30	4.32	4.32
Average	5.44	5.01	4.97	5.06
Alberta Government (calendar year)	4.46	4.10	4.05	4.01

In developing its energy price forecasts, the Department of Energy also uses private forecasts from the following forecasters: PIRA, Purvin & Gertz, CGES, EIA, Petroleum Economics Ltd. and Ziff.

Tracking the Forecasts of Natural Gas Prices

Alberta Average Reference Price (Cdn\$/mcf)

Organization	How Did They Do 2003 ^a	What They Were Saying About 2004 in Budget 2003	What They Are Saying About 2004 in Budget 2004
Actual	6.12		
Canadian Energy Research Institute	0.13	n/a	6.05
Gilbert Lausten Jung Associates	0.18	5.15	5.50
National Bank Financial	-0.62	4.00	4.20
Peters & Co. Limited	-0.87	4.50	6.00
Average	-0.30	4.55	5.44
Alberta Government (calendar year)	-1.44	3.39	4.46

^a This compares an organization's forecast for 2003 at the time of Budget 2003 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2004	2005	2006	2007
National Forecasting Agencies				
Conference Board of Canada (Dec/03)	2.65	4.05	4.89	5.00
Global Insight (Feb/04)	2.36	3.20	3.56	3.94
Banks				
Bank of Montreal (Feb/04)	2.26	3.26	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/04)	1.89	1.68	n/a	n/a
Royal Bank (Feb/04)	2.50	2.68	n/a	n/a
Scotiabank (Mar/04)	2.05	2.36	n/a	n/a
Toronto Dominion Bank (Mar/04)	2.40	4.04	n/a	n/a
Investment Dealers				
BMO Nesbitt Burns (Mar/04)	2.34	3.46	n/a	n/a
CIBC World Markets (Mar/04)	1.91	1.66	n/a	n/a
RBC Capital Markets (Mar/04)	2.35	3.09	n/a	n/a
High	2.65	4.05	4.89	5.00
Low	1.89	1.66	3.56	3.94
Average	2.27	2.95	4.23	4.47
Alberta Government (calendar year)	2.40	3.06	3.90	4.00

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2004	2005	2006	2007
National Forecasting Agencies				
Conference Board of Canada (Dec/03)	5.82	6.28	6.39	6.28
Global Insight (Feb/04)	4.70	5.20	5.20	5.20
Banks				
Bank of Montreal (Feb/04)	4.93	5.65	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/04)	4.22	4.00	n/a	n/a
Royal Bank (Feb/04)	4.90	5.45	n/a	n/a
Scotiabank (Mar/04)	4.79	5.30	n/a	n/a
Toronto Dominion Bank (Mar/04)	4.66	5.48	n/a	n/a
Investment Dealers				
BMO Nesbitt Burns (Mar/04)	4.95	5.38	n/a	n/a
CIBC World Markets (Mar/04)	4.23	4.00	n/a	n/a
RBC Capital Markets (Mar/04)	4.61	5.50	n/a	n/a
High	5.82	6.28	6.39	6.28
Low	4.22	4.00	5.20	5.20
Average	4.78	5.22	5.80	5.74
Alberta Government (calendar year)	4.90	5.50	5.50	5.50

Canada/United States Exchange Rate Forecast Benchmark

(US\$/Cdn\$)

Organization	2004	2005	2006	2007
National Forecasting Agencies				
Conference Board of Canada (Dec/03)	74.2	72.1	n/a	n/a
Global Insight (Feb/04)	77.4	80.1	81.0	81.6
Banks				
Bank of Montreal (Feb/04)	76.9	76.9	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/04)	74.3	73.3	n/a	n/a
Royal Bank (Feb/04)	80.0	83.3	n/a	n/a
Scotiabank (Mar/04)	78.6	81.7	n/a	n/a
Toronto Dominion Bank (Mar/04)	77.2	79.0	n/a	n/a
Investment Dealers				
BMO Nesbitt Burns (Mar/04)	76.5	78.9	n/a	n/a
CIBC World Markets (Mar/04)	74.5	73.2	n/a	n/a
RBC Capital Markets (Mar/04)	77.5	80.0	n/a	n/a
High	80.0	83.3	81.0	81.6
Low	74.2	72.1	81.0	81.6
Average	76.7	77.9	81.0	81.6
Alberta Government (calendar year)	77.0	77.0	77.0	77.0

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2003	2004	2005	2006	2007
National Forecasting Agencies					
Conference Board of Canada (Feb/04)	3.3	3.5	3.7	n/a	n/a
Global Insight (Jan/04)	2.4	3.9	3.6	3.6	3.5
Banks					
Bank of Montreal (Feb/04)	2.3	4.0	4.0	n/a	n/a
Canadian Imperial Bank of Commerce (Nov/03)	2.8	3.3	n/a	n/a	n/a
Royal Bank (Feb/04)	2.6	4.1	3.4	n/a	n/a
Scotiabank (Mar/04)	2.5	3.2	3.6	n/a	n/a
Toronto Dominion Bank (Jan/04)	2.6	3.7	3.6	n/a	n/a
Other					
BMO Nesbitt Burns (Mar/04)	2.6	3.4	3.8	3.5	3.5
Canada Mortgage and Housing Corporation (Jan/04)	3.5	3.5	3.8	n/a	n/a
High	3.5	4.1	4.0	3.6	3.5
Low	2.3	3.2	3.4	3.5	3.5
Average	2.7	3.6	3.7	3.5	3.5
Alberta Government (calendar year)	3.1	3.6	3.1	2.9	3.3

Announced Major Projects Over \$100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OIL AND GAS				
Canadian Natural Resources Ltd.	Lakeland County (Primrose / Wolf Lake)	In situ Bitumen Production Expansion Stage 1	130	2001-2004
	Lakeland County (Primrose / Wolf Lake)	Cyclic Steam Simulation (CSS) Project	250	2004-2007
Conoco Philips Canada/ TotalFinaElf/Devon Energy	RM of Wood Buffalo (near Anzac)	'Surmont' SAGD* Bitumen Commercial Project	1,400	2004-2013
Devon Canada Corporation	RM of Wood Buffalo	'Jackfish' SAGD Oil Sands Project	550	2005-2007
EnCana Corporation	RM of Wood Buffalo (Christina Lake)	SAGD Bitumen Production	400	2000-2009
	Wheatland County (near Hussar)	Countess Gas Storage Facility	130	2002-2005
ExxonMobil Canada Ltd.	MD of Bonnyville (near Cold Lake)	In situ Bitumen Plant	100	1997-2005
Imperial Oil Limited	Strathcona County	Strathcona Refinery Upgrades	220	2003-2004
OPTI Canada Inc./Nexen Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project	3,400	2004-2006
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1,200	2004-2008
Petrovera Resources Ltd.	Lindbergh/Elk Point/ Frog Lake/Marwayne	Bitumen Recovery	1,200	2000-2010
Suncor Energy Inc.	RM of Wood Buffalo	'Firebag' In situ Bitumen Recovery Project	1,000	2003-2012
Syncrude Canada Ltd.	RM of Wood Buffalo (Fort McMurray)	Phase 3: Upgrader Expansion phase 1 and Aurora Mine Train 2	7,770	2001-2006
	RM of Wood Buffalo (Fort McMurray)	Continuous Improvement	1,500	1997-2007
PIPELINES				
Alberta Oil Sands Pipelines Ltd.	RM of Wood Buffalo to Strathcona County	Increase in Pipeline Capacity	188	2002-2004

* Steam Assisted Gravity Drainage

Announced Major Projects Over \$100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
POWER PLANTS				
EPCOR Utilities Inc.	Leduc County	Genesee Power Plant - Phase 3 (490MW)	600	2002-2005
Hunt Power Company Ltd.	MD of Rocky View (near Crossfield)	Gas-Fired Power Plant (345MW)	300	2004-2006
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION				
Cameron Corporation/ Grosvenor International Canada Ltd.	Edmonton	'South Edmonton Common' Retail Complex	250	1997-2005
Heritage Partners	Calgary	'Deerfoot Meadows' Retail Complex	500	2003-2004
Pauls Property Corp. GE Pension Trust	Calgary	'Princeton' Apartment Condominium Development	125	2000-2004
Qualico Developments West Ltd.	Edmonton	'Station Lands' Commercial and Residential Development	250	2004-2018
Strathcona County/ Christenson Developments/ Western Asset Management Group	Strathcona County (Sherwood Park)	'Centre in the Park' Housing/Retail/ Commercial Development	120	2004-2011
INSTITUTIONAL				
Calgary Health Region	Calgary	Alberta Children's Hospital	220	2003-2006
Capital Health Authority	Edmonton	Alberta Heart Institute	142	2004-2006
The University of Calgary	Calgary	Health Research Innovation Centre	129	2003-2006
	Calgary	Faculty of Kinesiology Expansion	124	2002-2004
University of Alberta	Edmonton	Health Research Innovation Centre	165	2003-2006

Announced Major Projects Over \$100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OTHER				
Bell Intrigna/Bell Nexxia/ Axia NetMedia and Partners	Across Alberta	Alberta SuperNet	300	2001-2004
Calgary Airport Authority	Calgary	Airport Improvements	800	1998-2007
Destination Resorts Inc.	Canmore	Three Sisters Resort	150	2002-2010
Various Irrigation Districts	Across Southern Alberta	Irrigation Systems/Rehabilitation	600	1997-2006
TOTAL			24,213	

ALBERTA ADVANTAGE

BUDGET
2004

ON ROUTE
ON COURSE

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Alberta Advantage

Alberta's vision is "A vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children."

The Government of Alberta's 20-Year Strategic Plan has outlined four areas of opportunity that will be important to the achievement of this long-term vision: unleashing innovation; leading in learning; competing in a global marketplace; and making Alberta the best place to live, work, and visit.

The Alberta Advantage illustrates, using widely accepted performance indicators, that Alberta is leading the way in these areas and is progressing toward its vision by capitalizing on the exciting opportunities that are available...

- a strong and vibrant economy
- a young, skilled and productive workforce
- affordable living costs
- a strong commitment to innovation and knowledge-based progress
- a highly entrepreneurial and competitive business community
- a business-friendly province committed to responsible regulation
- the lowest overall tax load of any province in Canada, including no retail sales tax
- a modern and efficient infrastructure
- an abundance of natural resources
- a beautiful natural environment
- a fiscally responsible provincial government

The Alberta Advantage is organized around the following categories: the economy, people, taxes, operating costs, quality of life and sound financial management. It shows that Alberta is "the place to be."

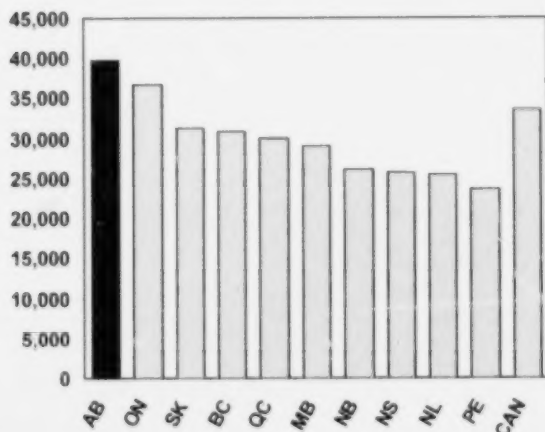
The Economy

STRONG AND DIVERSIFIED

Over the past decade, Alberta's economic performance has been exceptional, leading the nation in nearly all economic indicators. This province's prosperity enables its residents and businesses to be confident about the future. Alberta is creating an environment and infrastructure that enables knowledge and technology to invigorate our traditional economic strengths and create new opportunities.

REAL GDP PER CAPITA

1999-2003 Annual Average (dollars per capita)*



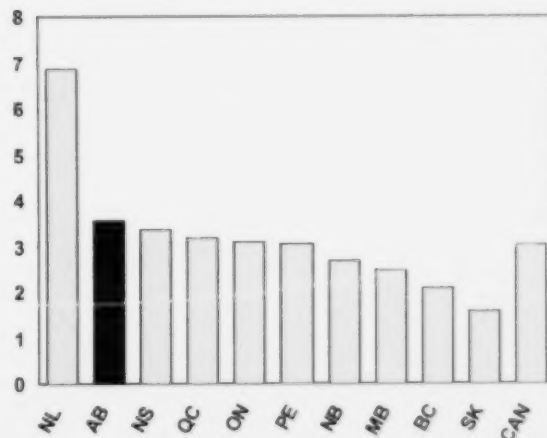
* 2003 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among the provinces.
- Since 1999, Alberta's real gross domestic product per capita has averaged 9% higher than second place Ontario.

REAL ECONOMIC GROWTH

1999-2003 Average Annual Growth in GDP (per cent)*



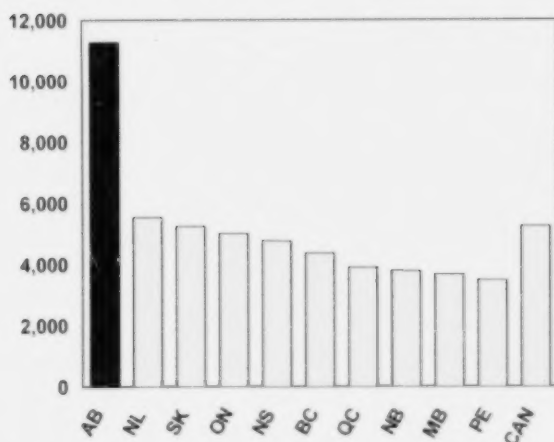
* 2003 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the second highest in Canada over the past five years.
- In 2003, Alberta's real output grew by an estimated 3.1%.

INVESTMENT PER CAPITA

1999-2003 Annual Average (dollars per capita)*

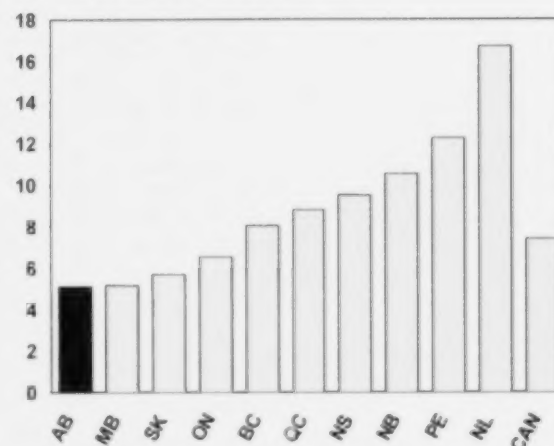


* 2003 preliminary actual
Source: Statistics Canada

- Alberta continues to be far ahead, as it has been for decades, in total private sector investment per person.
- Over the past five years, Alberta's investment per capita has been more than double that of the next highest province, Newfoundland and Labrador.

UNEMPLOYMENT RATE

1999-2003 Annual Average (per cent)

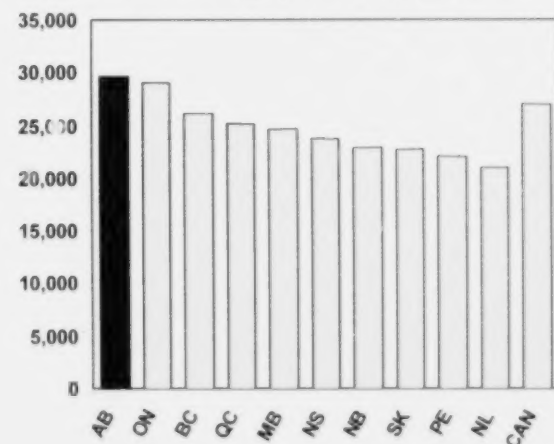


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 5.1% was tied with Manitoba as being lowest among the provinces, well below the national average of 7.4%.
- In December 2003, Alberta's unemployment rate of 4.8% was the lowest in Canada.

PERSONAL INCOME

1998-2002 Annual Average (dollars per capita)

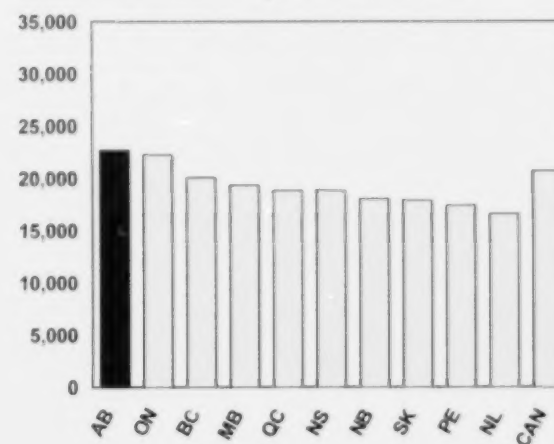


Source: Statistics Canada

- Over the five years ending in 2002 (the most recent data available), Albertans enjoyed the highest personal income per capita.
- In 2002, Alberta had the highest personal income per capita among provinces, \$1,997 above second place Ontario.

PERSONAL DISPOSABLE INCOME

1998-2002 Annual Average (dollars per capita)*

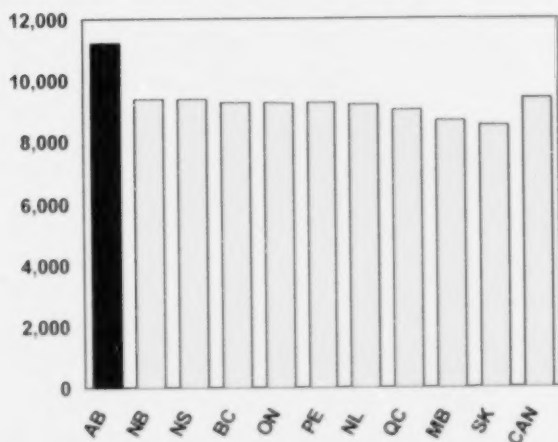


* Personal income less direct taxes and other current transfers to government
Source: Statistics Canada

- Over the five years ending in 2002 (the most recent data available), Alberta was ahead of all other provinces in personal disposable income per capita. For 2002, Alberta was \$1,847 above second place Ontario.
- With no general retail sales tax in Alberta, the disposable income advantage translates into even greater purchasing power.

RETAIL SALES PER CAPITA

1999-2003 Annual Average (dollars per capita)

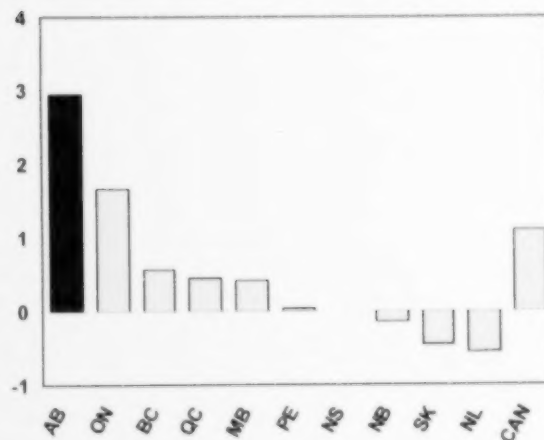


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.

BUSINESS GROWTH

1999-2003 Annual Average (per cent growth in # of firms)*



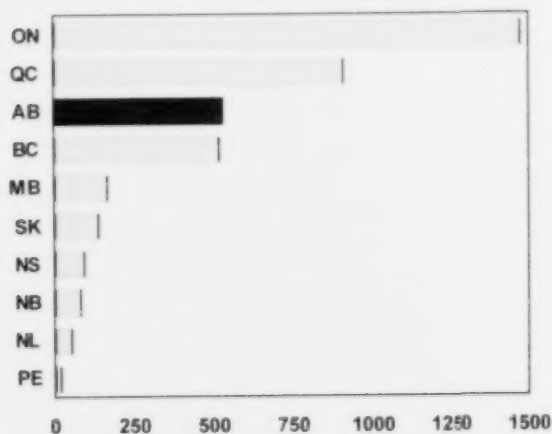
* Businesses include all incorporated and unincorporated firms, except self-employed and single person firms

Source: Statistics Canada

- Over the last five years, Alberta's average business growth has been the fastest of any province in Canada.
- In 2003, the number of businesses in Alberta increased by 1.5%, the strongest growth among provinces.

CORPORATE HEADQUARTERS

Head Offices, 2002 (number of head offices)*



* Includes only large, multi-unit enterprises where the head office is in a separate physical location from the production unit.

Source: Statistics Canada

- Alberta is home to 530 head offices, the third highest number in Canada, and the highest number per capita of any province.
- In Western Canada, Calgary leads in head office employment, with more than 16,000 employees in 2002.

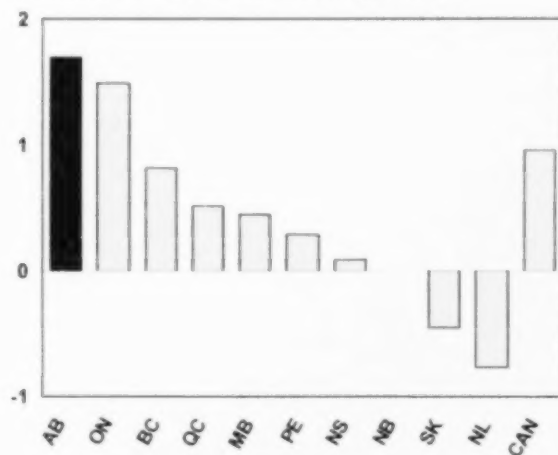
The People

YOUNG, HIGHLY TRAINED AND PRODUCTIVE

In today's knowledge-based economy, the people of Alberta are our province's most important resource. Albertans are highly skilled and productive, and are among the most educated in the world. They are the foundation of our thriving and vibrant economy.

POPULATION

1999-2003 Average Annual Growth (per cent)*



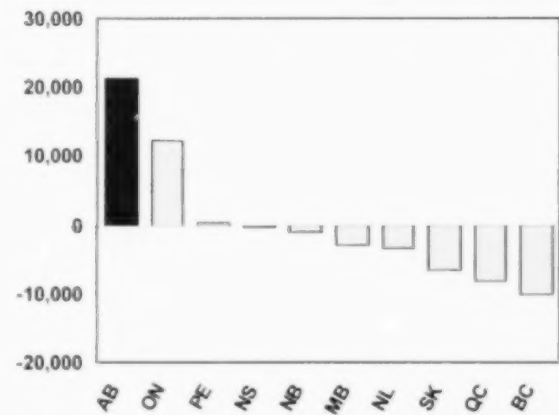
* Annual population based on 3rd quarter (July 1) estimates.

Source: Statistics Canada

- Over the past five years, Alberta's population has grown the fastest among the provinces.
- In 2003, Alberta's population growth of 1.3% also led the provinces.

NET INTERPROVINCIAL MIGRATION

1999-2003 Annual Average (net number of interprovincial migrants)*



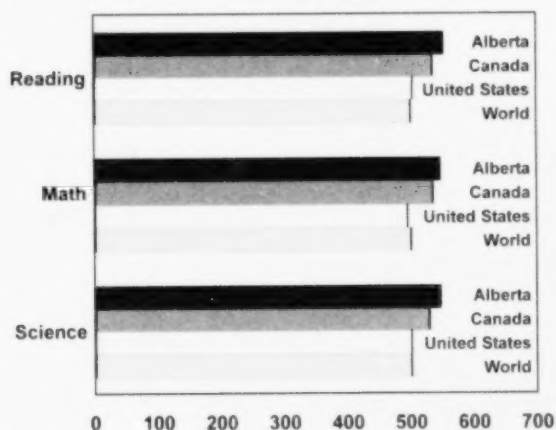
* July 1, 1998 to June 30, 2003.

Source: Statistics Canada

- Alberta has the highest number of interprovincial migrants in Canada.
- From July 2002 to June 2003, a net of 12,081 migrants came to Alberta from other provinces. The only other provinces to experience positive net interprovincial migration during this time were Nova Scotia and Prince Edward Island, at 777 and 571, respectively.

PERFORMANCE OF STUDENTS AGED 15

2000 Results (scaled to average score of 500)

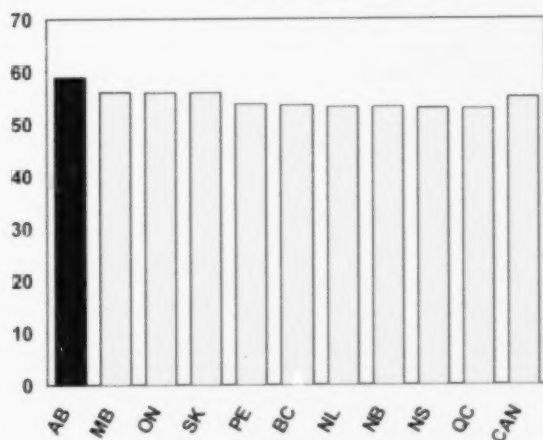


Source: Organisation for Economic Co-operation and Development (OECD)

- In 2000, the performance of students aged 15 in Alberta was significantly above the Canadian, United States and international averages in reading, mathematics and science.
- Out of 32 countries and the provinces of Canada, Alberta scored the highest in reading.

SHARE OF POPULATION UNDER 40

1999-2003 Annual Average (per cent of total population)

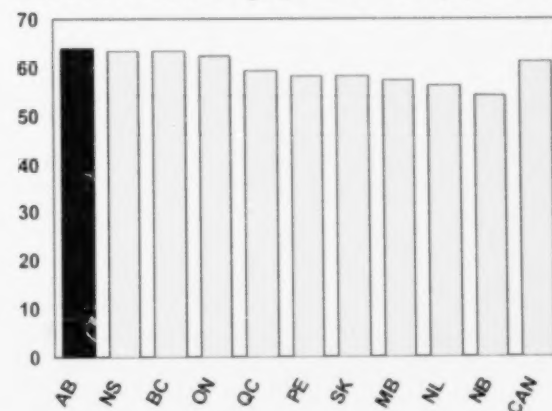


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 59% of Albertans are under the age of 40.

POPULATION AGED 25-64 WITH POST-SECONDARY EDUCATION

1999-2003 Annual Average (per cent of total population)*



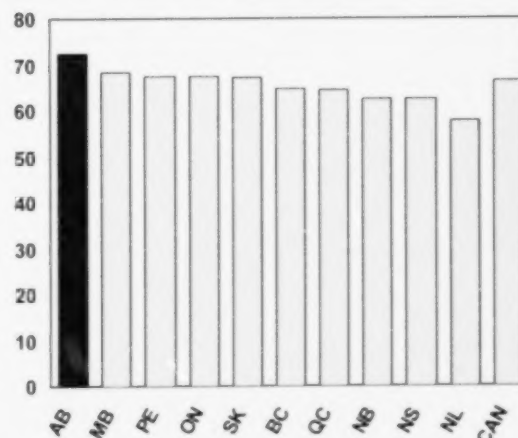
* Includes some post-secondary and completed post-secondary certificates, diplomas, and university degrees

Source: Statistics Canada

- Alberta has the best educated workforce in Canada.
- Approximately 64% of Albertans aged 25 to 64 have post-secondary education.

PARTICIPATION RATE

1999-2003 Annual Average (per cent)*



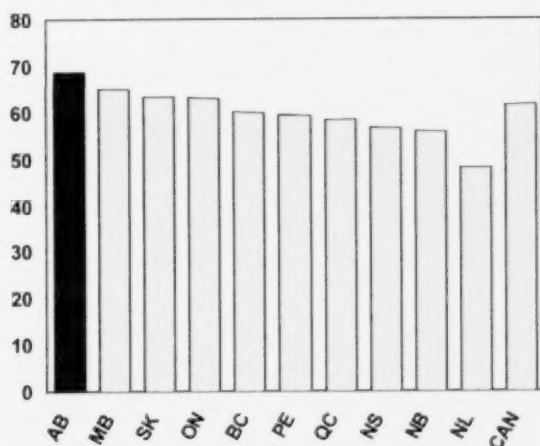
* The participation rate is the total of those employed plus those looking for work aged 15 and over, divided by the population aged 15 and over

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 4.4 percentage points higher than second place Manitoba.

EMPLOYMENT TO POPULATION RATIO

1999-2003 Annual Average (per cent)*



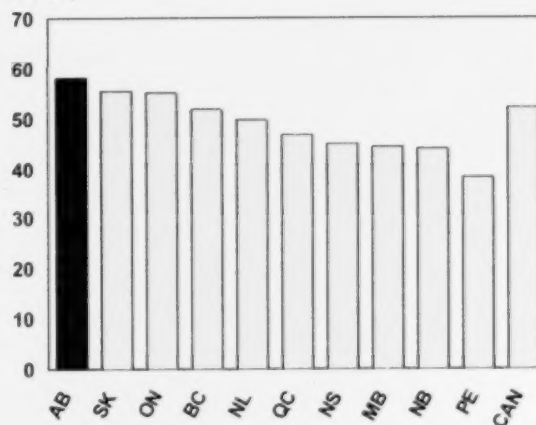
* The employment to population ratio is the total of those employed divided by the population aged 15 and over

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population, 4.1 percentage points above the second place province, Manitoba.

LABOUR PRODUCTIVITY

1999-2003 Annual Average (dollars of real GDP per hour worked)*



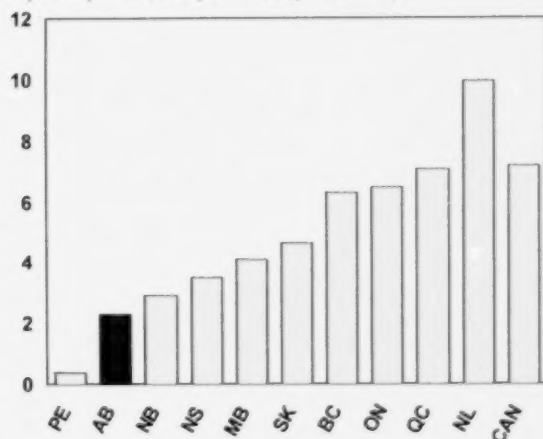
* 2003 GDP estimated for provinces

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Albertans are the most productive workers in Canada, as measured by real GDP dollars produced per hour worked.

LABOUR RECORD

1999-2003 Annual Average (person days lost due to disputes per 10,000 person days worked)*



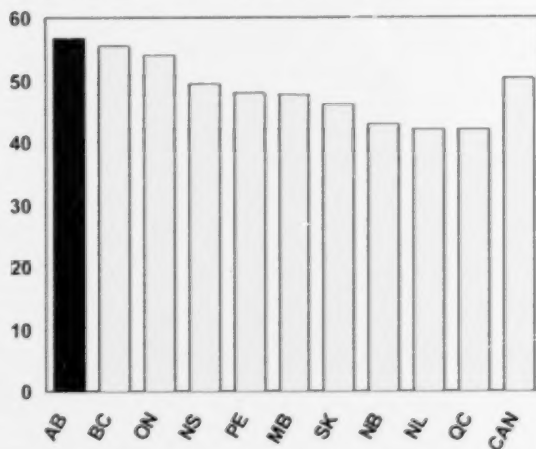
* January to September 2003 preliminary rate

Source: Statistics Canada and Human Resources Development Canada

- In terms of person days lost due to labour disputes, Alberta's 5-year average record is better than all other provinces except Prince Edward Island.

INTERNET USE

1998-2002 Annual Average (per cent of households)*



* Households with at least one regular user in any location (home, work, school, public library)

Source: Statistics Canada

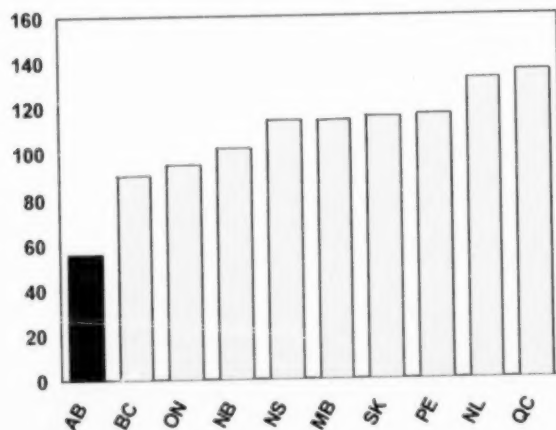
- Albertans are the most "connected" when it comes to Internet technology, which improves access to information, education, health and commerce services.
- Canada is the most connected country in the world.

The Lowest Tax Load

LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta is open for business with the lowest overall corporate and personal taxes in Canada. We are the only province with a single-rate personal income tax system and the only province that does not have a general retail sales tax. Alberta truly has a globally competitive tax environment.

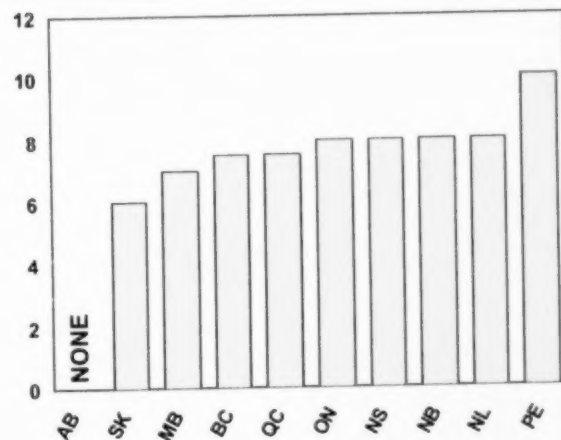
TOTAL PROVINCIAL AND MUNICIPAL TAX LOAD
2003-04 (per cent of the Canadian average)*



* Equalization payments, 2003-04, 3rd estimate
Source: Finance Canada and Alberta Finance

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 56% of the national average.

RETAIL SALES TAX RATES
2004 (per cent)*

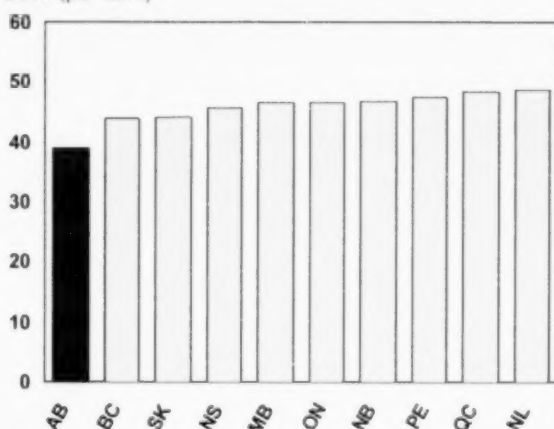


* Other provinces' rates known as of February 27, 2004
Source: Alberta Finance

- Alberta has no provincial retail sales tax.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2004 (per cent)*

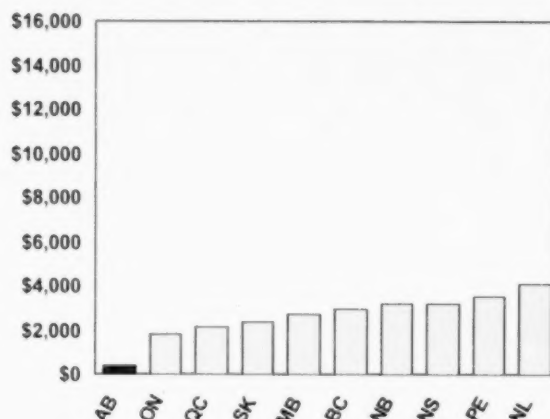


* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39% – 29% federal and 10% provincial.
- In Alberta, top income earners keep 61% of their last dollar earned.

FAMILY EARNING \$30,000

Taxes and Health Care Insurance Premiums
2004 (One-income family with two children)*

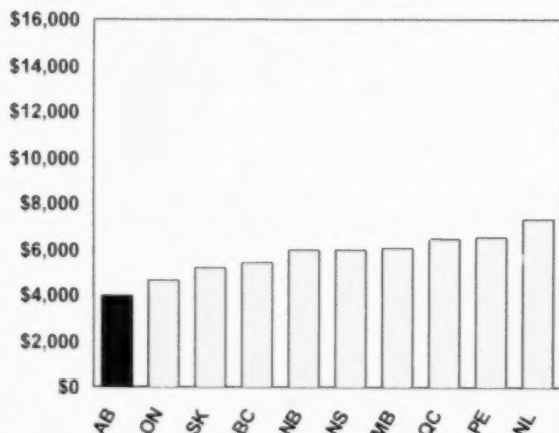


* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- This graph, and following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family earning \$30,000 pays only \$431, approximately 85% less than the average of the other provinces.

FAMILY EARNING \$60,000

Taxes and Health Care Insurance Premiums
2004 (Two-income family with two children)*

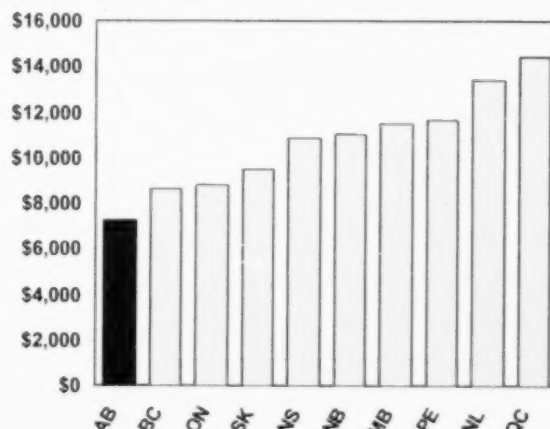


* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- In Alberta, a typical two-income family earning \$60,000 pays \$3,968, approximately 33% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING \$100,000

Taxes and Health Care Insurance Premiums
2004 (Two-income family with two children)*

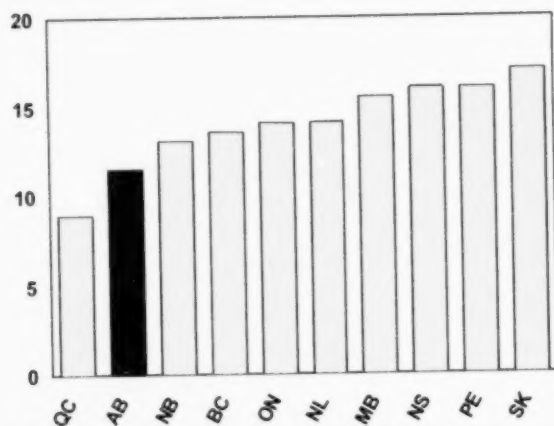


* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- In Alberta, a typical two-income family earning \$100,000 pays \$7,261, approximately 35% less in combined taxes and health care insurance premiums than the average of the other provinces.

PROVINCIAL GENERAL CORPORATE INCOME TAX RATES

2004 (per cent)*

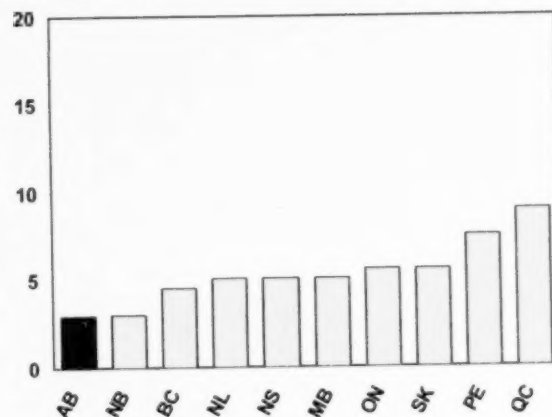


* Other provinces' rates known as of February 27, 2004. SK, ON, PE and NL have a lower corporate income tax rate for manufacturing and processing industries.
Source: Alberta Finance

- As of April 1, 2004, Alberta will have the second lowest general corporate income tax rate in Canada at 11.5%. Alberta's general corporate tax rate will be reduced to 8%, as affordable.
- Alberta businesses also benefit because Alberta has no general sales tax, no capital tax and no payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2004 (per cent)*

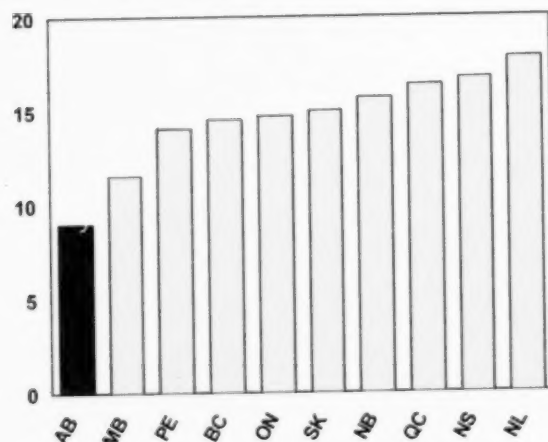


* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- As of April 1, 2004, Alberta's small business corporate income tax rate of 3% is tied for the lowest in Canada.

GASOLINE TAX RATES

2004 (cents per litre)*

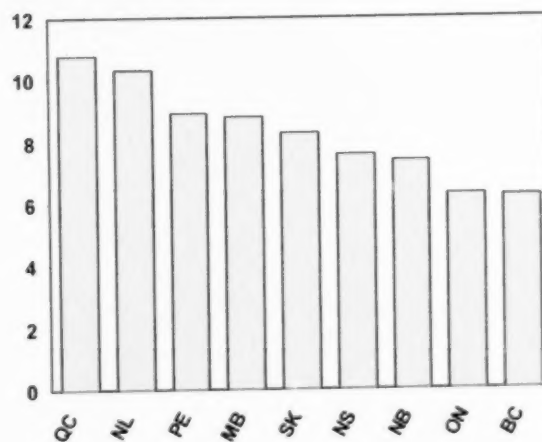


* Other provinces' rates known as of February 27, 2004. For NB, NS, QC and NL, provincial sales tax is levied on top of fuel tax.
Source: Alberta Finance

- At 9.0 cents per litre, Alberta has the lowest gasoline tax rate among the provinces, 2.5 cents per litre below Manitoba, the second lowest province.

ALBERTA'S TAX ADVANTAGE

2004 (billions of dollars)*



* Other provinces' rates known as of February 27, 2004.
Source: Alberta Finance

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax systems as the other provinces. The comparison also includes government revenues from health care insurance premiums and liquor markups.
- Albertans would pay over \$6.2 billion more if we had to pay British Columbia's taxes, and almost \$10.8 billion more if we had to pay Quebec's taxes.

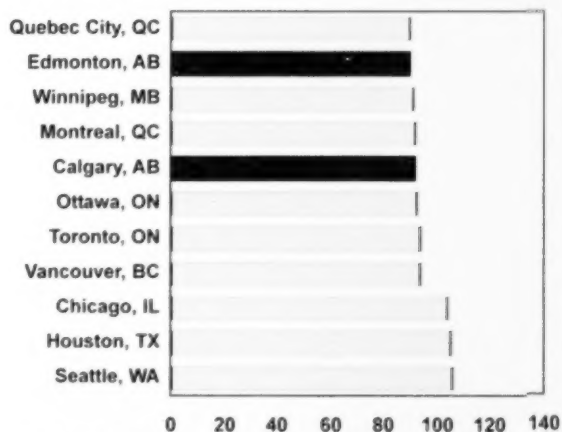
Low Operating Costs

FOR BUSINESSES AND HOUSEHOLDS

When it comes to cost of living and doing business, the province of Alberta is an attractive place to be. Alberta's favourable business environment encourages investment and allows companies and industries to compete and succeed. Our low taxes, skilled workforce and well-established infrastructure provide additional outstanding advantages.

BUSINESS COSTS INDEX

2004 (US=100.0)*



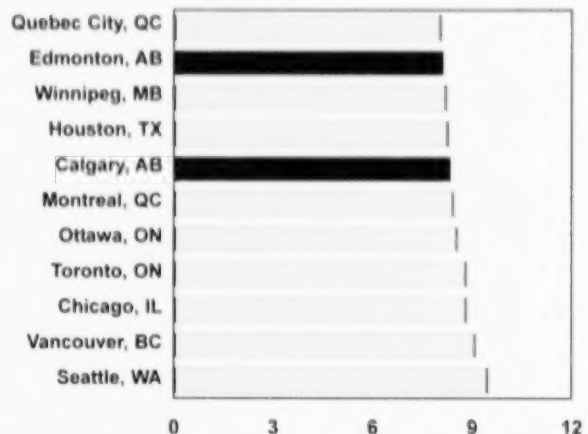
* Based on 27 components of after-tax costs for start-up and operations over an average of 10 years. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Based on KPMG's study of business costs in North America, Europe and Asia-Pacific, Edmonton has the second lowest total costs among the major Canadian cities and all American cities.
- An Edmonton business would have an overall 11% cost advantage over the average U.S. city.

INITIAL INVESTMENT COSTS

2004 (US\$ millions)*



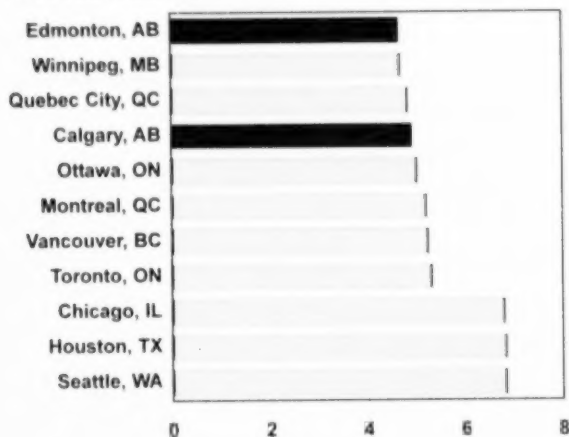
* Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Edmonton and Calgary are competitive among major cities for lowest initial investment costs, which consist of land acquisition and building construction costs.

ANNUAL LABOUR COSTS

2004 (US\$ millions)*



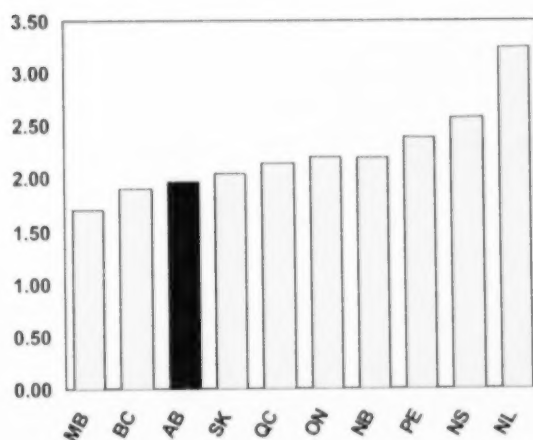
* 10-year average. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Labour costs, a major component of location-sensitive business costs which can range from 56% to 85% of total operations, are lowest in Edmonton among major cities.

WORKERS' COMPENSATION PREMIUMS

2004 (dollars per \$100 of gross payroll)*



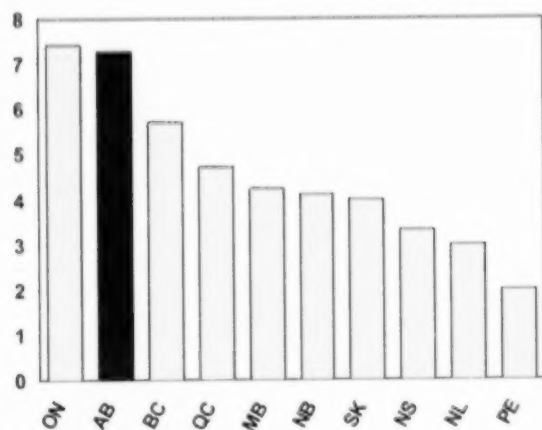
* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.

Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the third lowest among the provinces. Alberta, British Columbia, Saskatchewan, Manitoba and New Brunswick have no unfunded WCB liabilities.

INVESTMENT CLIMATE

2002 (scale from 0 to 10)

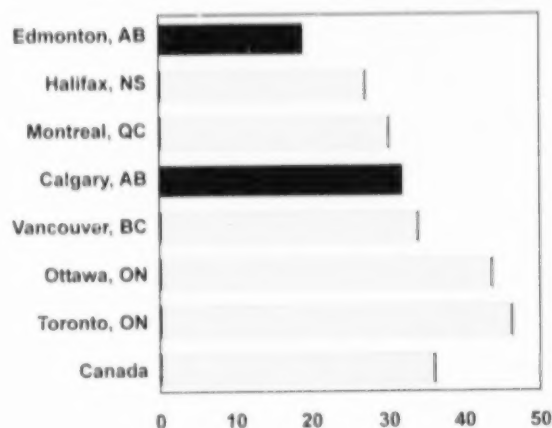


Source: Fraser Institute

- Based on the Fraser Institute's 2002 Survey of Senior Investment Managers, Alberta emerged as a close second for best investment climate in Canada.
- With respect to government policies, Alberta and Ontario led the nation with nearly 87% of respondents indicating that the provinces foster globally-competitive companies.

OFFICE OCCUPANCY COSTS

2003 (dollars per square foot)*



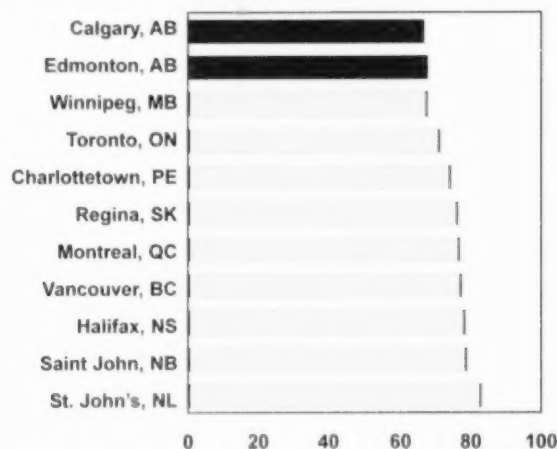
* Total occupancy costs include average net rental rates, taxes and operating costs for typical "Central Class A" offices.

Source: Royal LePage Commercial Inc.

- Edmonton has the lowest overall office occupancy costs among major Canadian cities.
- In Calgary, costs are lower than those in British Columbia and Ontario.

GASOLINE PRICES

2003 Average (cents per litre)*



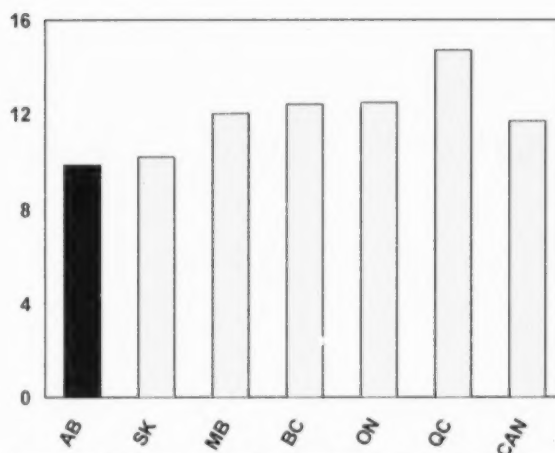
* Regular unleaded gasoline at self-service stations, taxes included.

Source: Statistics Canada

- Calgary and Edmonton have the lowest gasoline prices in Canada.

NATURAL GAS RATES

2003 Average (dollars/GJ)*



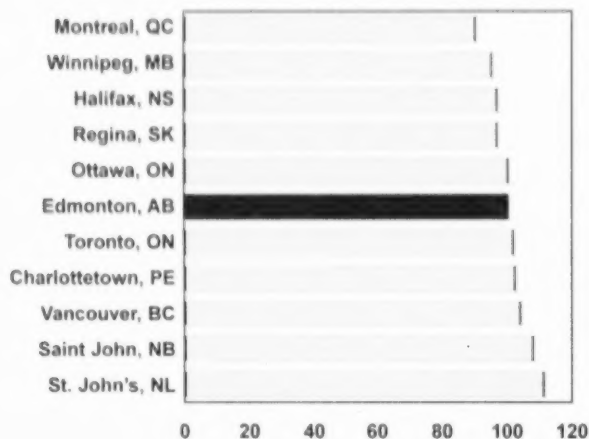
* January to September only. Calculated as sales revenue divided by sales volume. Includes gas costs, as well as all fixed and variable charges, but excludes taxes.

Source: Statistics Canada

- Albertans enjoyed the lowest residential natural gas rates in Canada during the first nine months of 2003 (the most recent data available).
- Alberta's Natural Gas Rebate Program is assisting Albertans with natural gas costs this winter.

DAILY LIVING PRICE INDEX

December 2003*



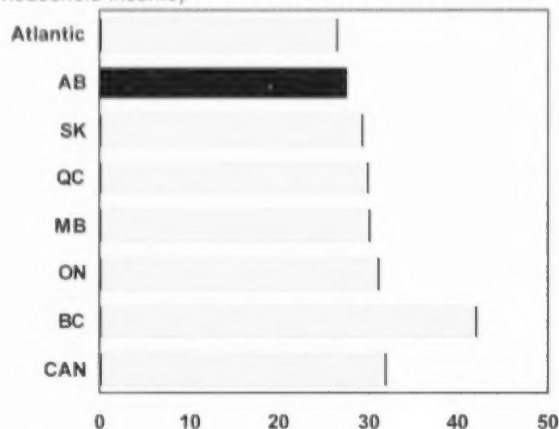
* Converted to index of Edmonton = 100. No data available for Calgary.

Source: Statistics Canada

- Residents in Edmonton pay less for daily living than major Canadian cities such as Toronto and Vancouver.
- A basket of daily living non-durable goods and services (food, utilities, household operations, transportation, health/personal care, recreation and tobacco/alcohol products) that costs \$100 in Edmonton would be approximately \$111 in St. John's.

HOUSING AFFORDABILITY

2003 Average (home ownership costs as a % of pre-tax household income)*



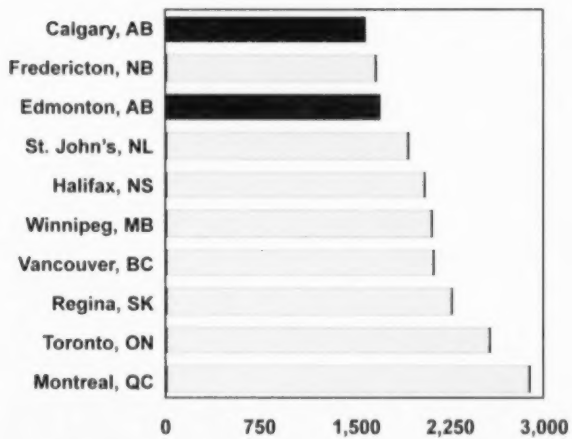
* Home ownership costs include mortgage payments, utilities, and property taxes.

Source: Royal Bank of Canada

- With Alberta's home ownership costs taking up only 27.5% of a typical pre-tax household income, housing affordability is second only to the Atlantic provinces.
- More balanced housing market conditions, record-low borrowing rates, and good household income gains contributed to Alberta's solid housing affordability in 2003.

NET HOME PROPERTY TAXES

2003 (dollars)*



* Includes municipal, regional and school tax, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton

- Among major cities, Calgary and Edmonton rank first and third, respectively, when it comes to lowest property taxes for a typical single family house.

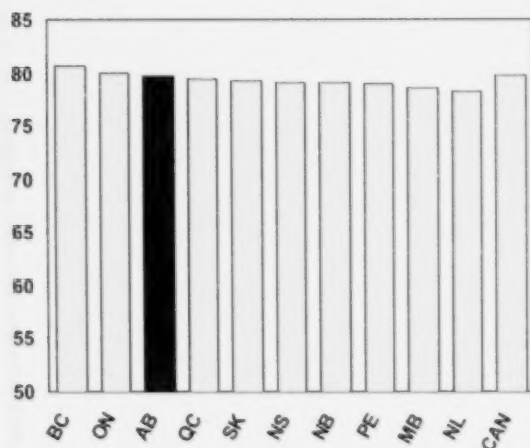
Quality of Life

OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment, and enjoy outstanding opportunities in recreation, arts, and culture.

LIFE EXPECTANCY

2001 (years)*

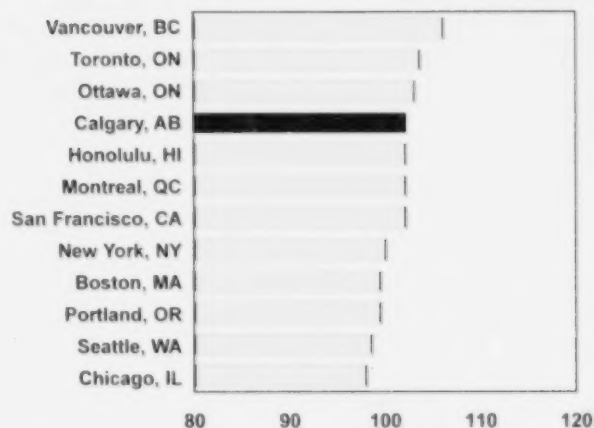


* Average life-span at birth
Source: Statistics Canada

- In 2001, Alberta had the third highest life expectancy at birth among provinces.

QUALITY OF LIFE INDEX

2004 (New York = 100.0)*

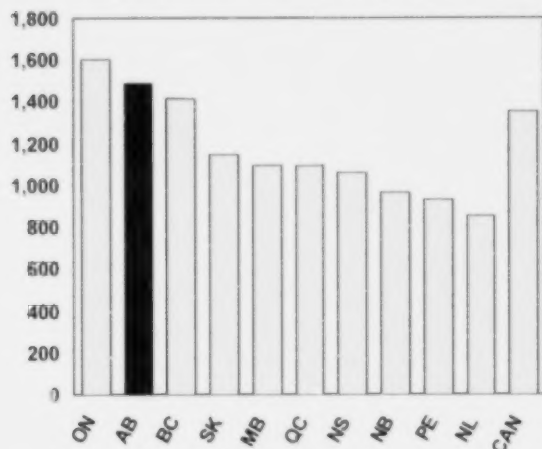


* 39 criteria based on political, social, economic, cultural, and natural environment; health, education, transportation; recreation; consumer goods, housing, and public services. Edmonton not included in survey
Source: William M. Mercer Companies

- Based on an analysis of "Quality of Life", Calgary placed 24 out of 215 major cities in the world, tying the highest ranked U.S. cities, Honolulu and San Francisco.
- Calgary ranks number one in the world for the health and sanitation component of the study.

EXPENDITURE ON RECREATIONAL ACTIVITIES

2002 Average Expenditure Per Household (dollars per year)*

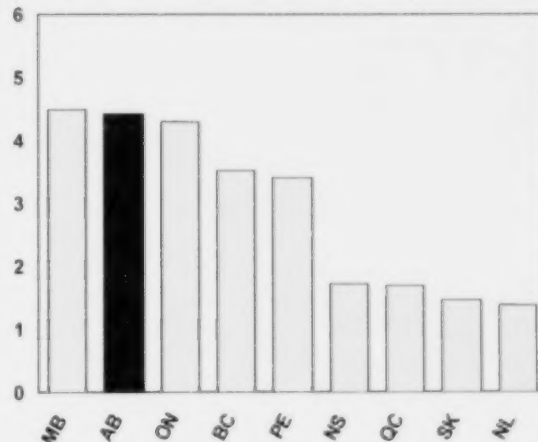


* Expenditure on recreation and entertainment
Source: Statistics Canada

- With the highest average household income among the provinces, Albertans are able to spend more on sports, performing arts, and other recreational and entertainment activities.

SUPPORT FOR PERFORMING ARTS

2001-02 Private Sector Donations (dollars per capita)*

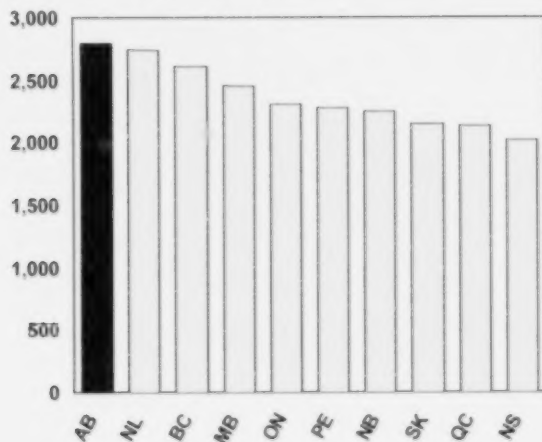


* Includes donations and fundraising. Survey based only on professional performing arts companies with budgets of \$100,000 or more.
Source: The Council for Business and the Arts in Canada (CBAC)

- On a per capita basis, Alberta ranks only behind Manitoba for private sector support of the performing arts, according to the most recent data.

PROVINCIAL HEALTH EXPENDITURE

2002-03 (dollars per capita)*

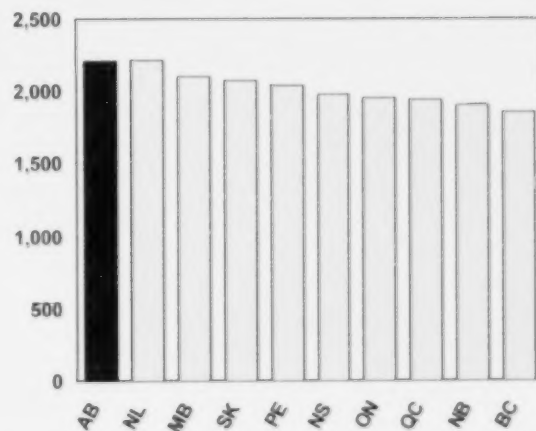


* Adjusted for age and sex, provincial government total health expenditures.
Source: Health Canada, CIHI and Alberta Health and Wellness

- In 2002-03, Alberta's age-sex adjusted health expenditures per capita were the highest in Canada.

PROVINCIAL AND LOCAL EDUCATION EXPENDITURE

2002-03 (dollars per capita)*



* Financial Management System Basis, provincial and local government education expenditures.
Source: Statistics Canada

- In 2002-03, Alberta had the highest education expenditure on a per capita basis.

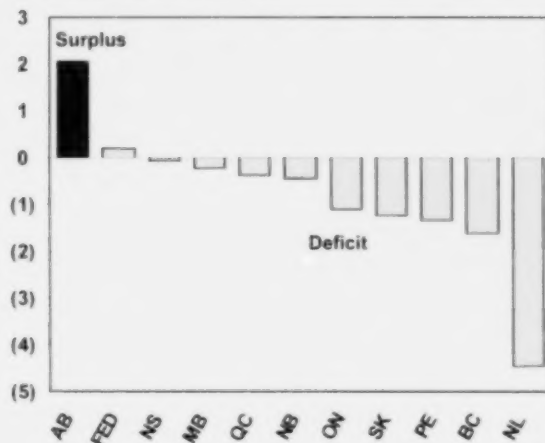
The Alberta Government

ACCOUNTABLE AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens, while ensuring a balanced budget. As the only province with more financial assets than liabilities, Alberta continues to attract international attention as the most fiscally responsible government in Canada.

GOVERNMENT SURPLUSES (DEFICITS)

2003-04 (per cent of GDP)*



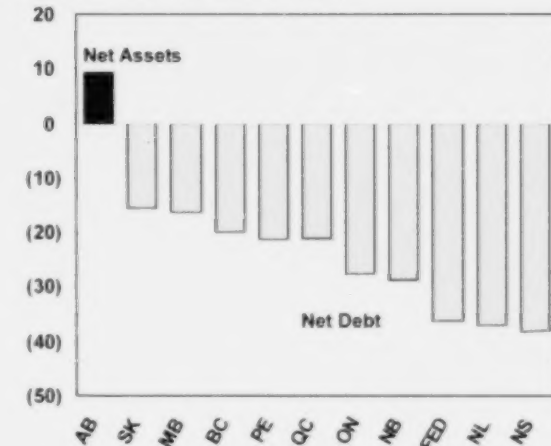
* Other governments as of February 27, 2004. Adjusted for fiscal stabilization fund transfers.

Source: Alberta Finance

- The Alberta government is committed to living within its means.
- Alberta has the highest surplus as a percentage of GDP in 2003-04.

GOVERNMENT NET FINANCIAL ASSETS (DEBT)

March 31, 2004 (per cent of GDP)*



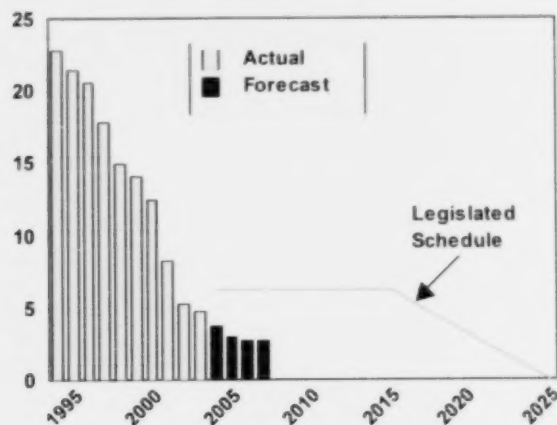
* Other governments as of February 27, 2004. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta is the only provincial government in Canada with total financial assets that exceed total liabilities.
- At March 31, 2004, Alberta's financial assets are forecast to be \$28.3 billion. Total liabilities (excluding pension obligations) are forecast to be \$13.4 billion, resulting in net financial assets of about \$15 billion.

ALBERTA'S ACCUMULATED DEBT

At March 31 (billions of dollars)*

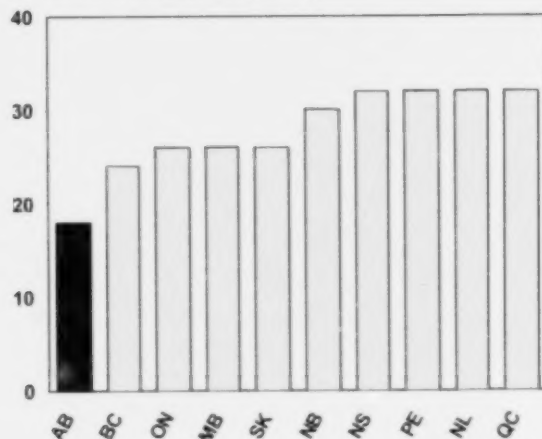


* Net of cash set aside in the Debt Retirement Account
Source: Alberta Finance

- Alberta's accumulated debt is expected to be reduced to \$2.7 billion by March 31, 2006.
- Accumulated debt will have been cut by nearly 90% since 1993-94.

BORROWING COSTS

As of March 4, 2004 (basis points)*

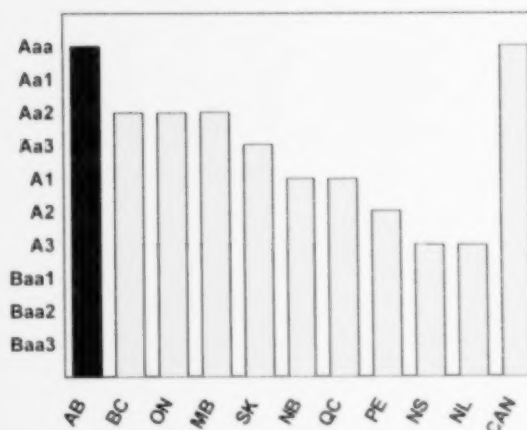


* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.
Source: CIBC World Markets

- Alberta has the lowest interest rate spread relative to 10-year Government of Canada bonds of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province and local authorities that borrow through the Alberta Capital Finance Authority.

CREDIT RATING

As of February 27, 2004*

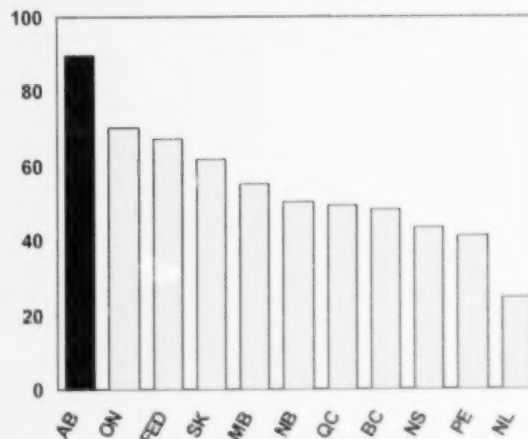


* Moody's Canadian domestic dollar debt ratings
Source: Moody's Investors Services

- Alberta is the top province in Canada for credit worthiness. All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) give Alberta "Triple A", the highest possible rating.
- The high ratings reflect Alberta's strong economic performance, high income levels, low debt burden, and prudent fiscal management.

BUDGET PERFORMANCE INDEX

2004 (100-point index scale)*

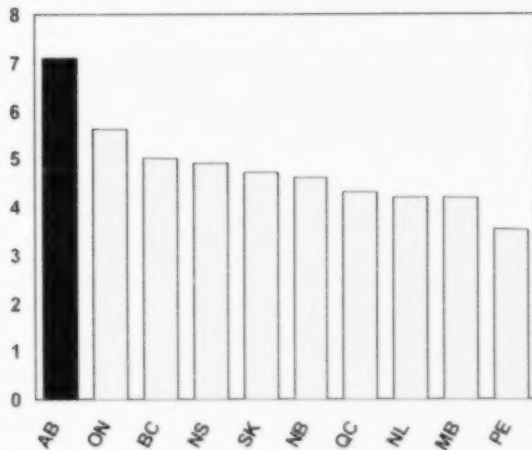


* Index includes 20 indicators of government taxation, spending, deficits and debt over the past five years (1998-99 to 2002-03).
Source: Fraser Institute

- Based on the Fraser Institute's 2004 Budget Performance Index (which measures the 5-year period from 1998-99 to 2002-03), Alberta topped all other provinces and the federal government.
- According to the index, which is based upon the tax and spending behaviour of governments, Alberta's performance surpassed second place Ontario by 29%.

ECONOMIC FREEDOM INDEX - CANADA

2001 (10-point index scale)*



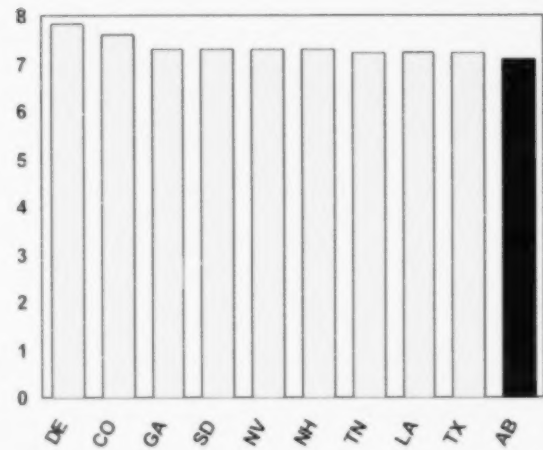
* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- Fraser Institute's measure of economic freedom (which indicates the fostering of economic growth and prosperity through minimal government regulation and taxation) rates Alberta number one in Canada as a place to do business.

ECONOMIC FREEDOM INDEX - NORTH AMERICA

2001 (10-point index scale)*



* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- For the first time in the 20-year span of the measurement of economic freedom, a Canadian province – Alberta – has broken into the top 10 in North America.

ALBERTA TAX ADVANTAGE

BUDGET
2004
ON ROUTE
ON COURSE

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Alberta Tax Advantage

"Alberta's tax advantage has contributed to making our economy the most dynamic in Canada."

Pat Nelson
Minister of Finance
March 24, 2004

"With a 10% single-rate personal income tax, the highest basic personal tax exemption, the lowest fuel taxes, and no sales tax, Alberta imposes the lowest overall tax burden of all provinces on its residents."

Dominion Bond Rating Service
Credit Rating Report
November 28, 2003

HIGHLIGHTS

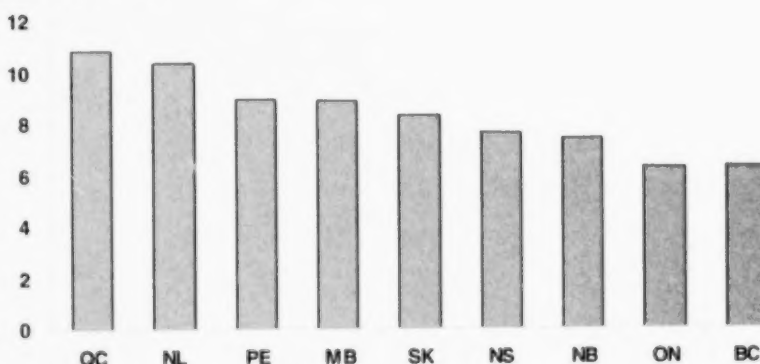
- Albertans continue to pay less tax than anywhere else in Canada.
- The general corporate income tax rate will fall to 11.5% and the small business rate to 3.0%, saving businesses \$142 million in 2004-05.
- Inflation indexing of the personal income tax system saves taxpayers \$150 million in 2004.
- School property tax rates drop by about 2.3%.

INTRODUCTION

As one of the key components of the Alberta Advantage, Alberta's tax advantage has contributed to making our economy the most dynamic in Canada. Alberta has among the lowest personal and corporate income taxes, property taxes and fuel taxes in the country. When combined with no general sales tax, payroll tax or capital tax, individuals and businesses in Alberta pay much less in taxes than they would in any other province. Low tax rates encourage people to live and invest in Alberta and help keep our economy strong.

Alberta's Tax Advantage

(billions of dollars)



This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same systems as the other provinces. The comparison also includes government revenues from health care insurance premiums and liquor markups.

"In the long run, Canada will be best served by a business tax system with low tax rates and a broad, neutral base..."

Robert D. Brown
National Post
February 27, 2004

Our tax advantage is based on a policy of low rates and a broad base. Instead of favouring certain groups with special incentives, we prefer to provide benefits to all taxpayers by lowering overall rates. An approach that treats all taxpayers the same minimizes taxes for everyone, not just for those qualifying for a particular incentive.

The low rate, broad base tax policy is an important part of Alberta's economic strategy for the future. The government can avoid the pitfalls of trying to pick those industries that will be strong in the future. As new industries develop in response to changing market opportunities, they will not be penalized because of special tax incentives that have been implemented for other industries. By giving all industries the best possible chance to flourish, we can maximize economic growth, helping to keep Alberta an attractive place to live and work for years to come.

BUSINESS TAXES

Corporate Income Taxes

Making businesses more competitive by cutting corporate taxes helps all Albertans, whether by creating jobs, lowering prices for consumers or increasing wages for workers. Low corporate taxes make Alberta an attractive place for people to start businesses, or expand existing operations. They also attract investment to Alberta from around the world, creating opportunities that will keep Alberta's economy strong in the future.

With this budget, we will improve our competitive advantage further. Effective April 1, 2004, the general corporate income tax rate will fall from 12.5% to 11.5%. The small business rate will fall from 4.0% to 3.0%. These cuts will save corporations \$142 million in 2004-05.

Alberta's business tax plan was announced in *Budget 2001*. We have achieved our goals of cutting the small business rate in half and doubling the small business income threshold to \$400,000. We have cut the general corporate rate by over 25%. Our goal of lowering the general rate to 8.0% remains, and we will continue to take steps towards that goal as they become affordable.

The general corporate income tax rate falls to 11.5% and the small business rate to 3.0%. Corporations will save \$142 million in 2004-05.

Business Tax Cuts

(effective April 1 each year)

	2000-01	2001-02	2002-03	2003-04	2004-05
General rate ^a (%)	15.5	13.5	13.0	12.5	11.5
Small business rate (%)	6.0	5.0	4.5	4.0	3.0
Small business threshold (\$)	200,000	300,000	350,000	400,000	400,000
Financial institutions capital tax (%)	0.7/1.0	Eliminated			

^a Manufacturing and processing (M&P) income was taxed at 14.5% in 2000, but in 2001 the M&P rate was reduced to the same level as the general rate. The tax system no longer distinguishes between M&P and other income.

Resource Taxation

Resource companies can continue to deduct the greater of the resource allowance or royalties until 2007.

In its 2003 budget, the federal government announced changes to the taxation of the resource sector. By 2007, royalties will become fully deductible and the resource allowance will be eliminated for federal purposes. Alberta will parallel this regime in 2007. In order to facilitate the industry's transition to the new system, Alberta will continue to allow companies to deduct the greater of the resource allowance or royalties until that time. Once the resource allowance is eliminated federally, it will also cease to exist for provincial purposes.

Under the old system, companies that had royalties that exceeded their resource allowance were unable to deduct the excess for federal purposes. In comparison, excess royalties have always been deductible for Alberta taxes as a cost of doing business, through the royalty tax deduction. Companies are allowed to carry forward the excess when their royalty tax deduction exceeds their taxable income.

Once the resource tax changes are fully phased in, this additional deduction will no longer be needed. Existing carry-forward balances will expire on December 31, 2013. This provides a seven year carry-forward from the last year the program is operable, consistent with the carry-forward period for other non-capital losses. It also provides a full ten years on carry-forward balances existing prior to the phase-in of the new system.

Program benefits continue under the ARTC. The credit will be non-taxable by Alberta.

The decision to return to deductible royalties would have resulted in the elimination of the Alberta Royalty Tax Credit (ARTC) over time. Amounts qualifying under the program will therefore be redefined to ensure program benefits are maintained. The ARTC will also remain non-taxable for Alberta purposes in the hands of its recipients.

Aviation Fuel Taxes

As announced on February 13, 2004, the government has eliminated the aviation fuel tax on all international flights leaving from or coming into the province, effective March 1, 2004. The annual cost of this initiative is approximately \$3 million. While Alberta's 1.5 cent per litre aviation fuel tax was already very competitive across Canada, some of our major competitors, including Washington State and British Columbia, have at least partial exemptions on aviation fuel tax for international flights. The elimination of the aviation fuel tax on international flights will increase Alberta's competitive advantage.

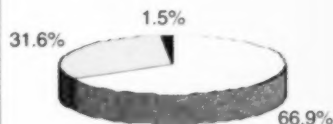
PERSONAL TAXES

Personal Income Taxes

Alberta's low personal income taxes allow people to spend or invest more of their own money according to their wishes. Alberta's low top marginal tax rate rewards the efforts of Albertans and attracts skilled workers from around the world, further fueling an already dynamic economy.

When we designed the 10% single-rate system in 2001, we wanted to enhance fairness, while at the same time encouraging economic growth. That is why our basic, spousal and eligible dependant amounts are about double what they were under the old system. Lower income Albertans benefit from the highest exemptions in Canada — at least 68% higher than in any other province. A typical working individual can make about \$15,200 before paying any provincial income tax in Alberta. A typical working family with two children can make about \$35,700 before paying any provincial income taxes, as the Alberta Family Employment Tax Credit offsets any taxes paid up to that income level. Further, since the basic and spousal exemptions are worth the same amount, the system does not discriminate between one-income and two-income families.

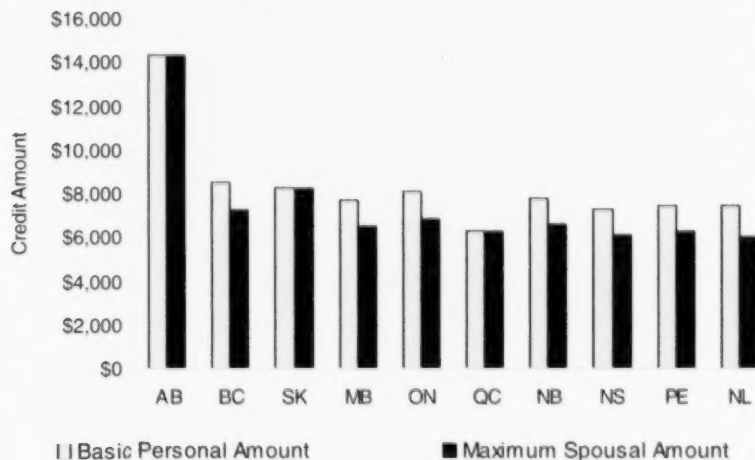
2004 Distribution of Personal Income Tax Burden



- Top 15% of income earners
- ▨ Middle 35% of income earners
- Bottom 50% of income earners

Indexing of personal income taxes will save Albertans about \$150 million in 2004.

Interprovincial Comparison of Basic and Spousal Credit Amounts, 2004



The savings gained when the single-rate system was implemented will continue to be protected in 2004 by indexing the tax system for inflation. As a result, the basic, spousal and eligible dependant amounts will rise by 6% to \$14,337. Other credits will rise as well. Indexing will save Albertans approximately \$150 million in 2004.

Alberta Non-Refundable Tax Credit Block

	2003		2004	
	Maximum Amount (\$)	Deduction from Alberta Tax (\$)	Maximum Amount (\$)	Deduction from Alberta Tax (\$)
Basic personal amount	13,525	1,353	14,337	1,434
Spousal amount	13,525	1,353	14,337	1,434
Eligible dependant amount	13,525	1,353	14,337	1,434
Age amount	3,794	379	4,022	402
Infirm dependant amount	3,669	367	3,890	389
CPP contributions	1,802	180	1,832	183
Employment Insurance contributions	819	82	772	77
Pension income amount	1,048	105	1,111	111
Disability amount	6,291	629	6,668	667
Disability supplement	3,670	367	3,890	389
Tuition and education amounts	Variable	Variable	Variable	Variable
Medical expenses	Variable	Variable	Variable	Variable
Caregiver amount	3,670	367	3,890	389
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first \$200	200	20	200	20
- over \$200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over \$200, the credit rate is increased to 12.75%.

Alberta Family Employment Tax Credit

The Alberta Family Employment Tax Credit (AFETC) supports low and middle-income families by providing them with a refundable tax credit worth up to \$500 per child, to a maximum of \$1,000 per family. By supplementing the income of working families, the AFETC encourages parents to work rather than depend on government assistance.

In *Budget 2003*, we committed to review the program to ensure that it is still meeting its objectives. Our internal review did not identify any serious problems with the current program. A number of potential ways to enhance the program were considered but none are affordable at this time. In 2004, the AFETC will provide about \$70 million in benefits to approximately 140,000 families.

The Alberta Centennial Education Savings Plan will help parents save for their children's post-secondary education.

Tax Treatment of the Alberta Centennial Education Savings Plan

The Alberta Centennial Education Savings Plan will provide \$500 for every child born to, or adopted by, Albertans, beginning in 2005. An additional \$100 will be provided to an RESP for children attending school in Alberta at ages 8, 11, and 14, starting with children born in 2005. The first \$100 grants will be issued in 2013. The payments will not be taxable and will not affect RESP contribution limits.

The Plan is intended to help parents save for their children's post-secondary education. The money will be deposited in Registered Education Savings Plans (RESPs), which are designed to improve the tax treatment of savings for post-secondary education.

Contributions to RESPs, plus any income earned, are paid to children when they undertake post-secondary education. As contributions to an RESP are made with after-tax dollars, they are not taxed again when paid out. Income earned from the contributions is taxable only when it is paid out and is taxed in the hands of the student. As students usually have lower incomes than the contributors, payments from an RESP are usually taxed at a lower rate. In fact, many students will pay no tax at all on the income.

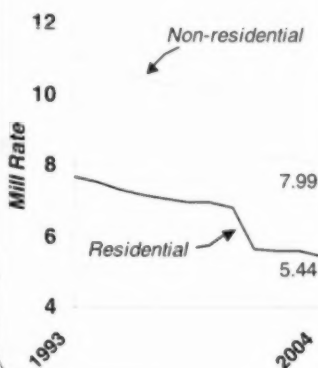
The maximum political contributions tax credit will increase from \$750 to \$1,000.

POLITICAL CONTRIBUTIONS TAX CREDIT

The provincial political contributions tax credit encourages corporations and individuals to participate in the political process by offering a non-refundable tax credit for donations to registered political parties, constituency associations and individual candidates. Previously, the maximum credit was \$750 against personal or corporate income tax payable.

Effective for the 2004 tax year, the maximum credit for both corporations and individuals will increase to \$1,000, and the maximum contribution eligible for the credit will rise to \$2,300. The maximum credit has not changed since 1982, so this increase will partially compensate for the overall rise in prices since then. Under the new credit structure, the first \$200 of donations will be credited at 75%, the next \$900 at 50%, and the next \$1,200 at 33 1/3%. The cost of increasing the credit is approximately \$150,000.

Provincial Uniform School Property Tax Rates



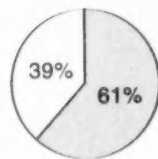
SCHOOL PROPERTY TAXES

The government will reduce school property tax rates by about 2.3% for 2004. Rates for residential and farm property will fall to \$5.44 from \$5.57 per \$1,000 of assessment. Non-residential rates will be reduced to \$7.99 from \$8.17 per \$1,000 of assessment. The government has either lowered or frozen rates in each of the last 11 years. Since 1993, rates have fallen by over 27%, a key reason why Albertans continue to pay among the lowest property taxes in Canada.

**Distribution of
Property Tax Burden**



1994



2002

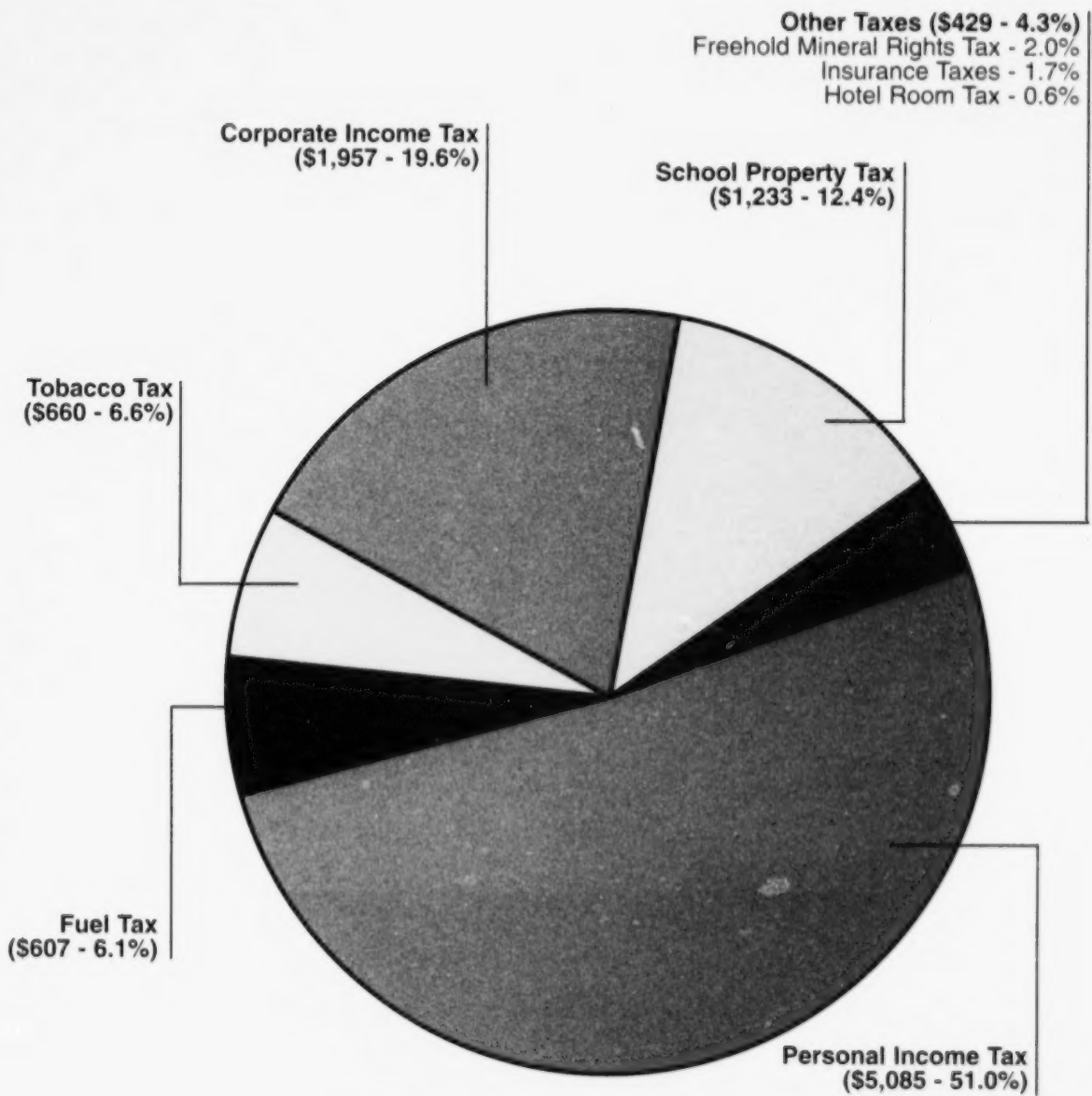
|| School

|| Municipal

Revenue from the school property tax is expected to be \$1.404 billion in 2004-05, including revenue raised for opted-out school boards. Government revenue will be \$1.233 billion, a 5.7% increase over 2003-04. Government revenues are increasing even as rates are falling because Alberta's assessment base is growing as property values rise and as new homes and businesses are built. School property taxes account for 36% of the total funding for basic education.

The provincial government took over school property taxes in 1994. From 1994 to 2002, the latest year for which municipal statistics are available, the portion of total property taxes devoted to schools fell from 52% to 39%, while the portion devoted to municipalities increased from 48% to 61%.

2004-05 Tax Revenue
\$9,971 million



2004-05 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	5,085		
Single-rate tax	5,148	10.0%	514.8 per point
AFETC ^a	(70)		(difficult to express in per unit terms)
NHL Players Tax	7	12.5%	0.6 per point
2. Corporate Income Tax	1,957		
General	1,799	11.5%	156.4 per point
Small business	158	3.0%	52.7 per point
3. School Property Tax^b	1,233		
Residential/farm property	722	\$5.44/\$1,000 of assessment	132.7 per mill
Non-residential	511	\$7.99/\$1,000 of assessment	64.0 per mill
4. Tobacco Tax	660	\$32/carton	20.6 per \$/carton
5. Fuel Tax	607		
Gasoline and diesel	587	9.0 ¢/litre	65.2 per ¢/litre
Propane	8	6.5 ¢/litre	1.2 per ¢/litre
Aviation ^c	8	1.5 ¢/litre	5.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	204		(difficult to express in per unit terms)
7. Insurance Taxes	165		
Life, accident, sickness	47	2% of premium	23.5 per point
Other	118	3% of premium	39.3 per point
8. Hotel Room Tax	60	5.0%	12.0 per point

^a Alberta Family Employment Tax Credit

^b Does not include revenue of \$171 million raised for opted-out school boards

^c International flights are exempt from the aviation fuel tax.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2004

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of \$30,000 – One Income Family with Two Children										
Provincial income tax	(840)	299	534	515	(380)	(769)	1,089	976	1,112	1,441
Provincial sales tax	—	702	544	810	982	1,297	1,032	1,052	1,242	1,244
Health care premium	201	583	—	—	—	—	—	—	—	—
Payroll tax	—	—	—	226	273	636	—	—	—	179
Fuel tax	270	435	450	345	441	456	435	465	420	495
Subtotal	(369)	2,019	1,528	1,896	1,316	1,620	2,556	2,493	2,774	3,359
Tobacco tax	800	895	800	775	493	515	588	651	748	750
Total	431	2,914	2,328	2,671	1,809	2,135	3,144	3,144	3,522	4,109
Alberta Advantage		2,483	1,897	2,240	1,378	1,704	2,713	2,713	3,091	3,678
Employment Income of \$60,000 – Two Income Family with Two Children										
Provincial income tax	1,971	1,896	2,936	3,106	1,478	2,089	3,182	3,065	3,312	3,645
Provincial sales tax	—	1,031	788	1,167	1,426	1,834	1,515	1,542	1,819	1,829
Health care premium	792	972	—	—	—	—	—	—	—	—
Payroll tax	—	—	—	452	547	1,271	—	—	—	357
Fuel tax	405	653	675	518	662	684	653	698	630	743
Subtotal	3,168	4,552	4,399	5,243	4,113	5,878	5,350	5,305	5,761	6,574
Tobacco tax	800	895	800	775	493	515	588	651	748	750
Total	3,968	5,447	5,199	6,018	4,606	6,393	5,938	5,956	6,509	7,324
Alberta Advantage		1,479	1,231	2,050	638	2,425	1,970	1,988	2,541	3,356
Employment Income of \$100,000 – Two Income Family with Two Children										
Provincial income tax	5,264	4,556	6,873	7,681	4,559	8,455	7,508	7,185	7,516	8,556
Provincial sales tax	—	1,582	1,185	1,740	2,149	2,637	2,269	2,315	2,732	2,723
Health care premium	792	972	—	—	—	—	—	—	—	—
Payroll tax	—	—	—	754	911	2,119	—	—	—	596
Fuel tax	405	653	675	518	662	684	653	698	630	743
Subtotal	6,461	7,763	8,733	10,693	8,281	13,895	10,430	10,198	10,878	12,618
Tobacco tax	800	895	800	775	493	515	588	651	748	750
Total	7,261	8,658	9,533	11,468	8,774	14,410	11,018	10,849	11,626	13,368
Alberta Advantage		1,397	2,272	4,207	1,513	7,149	3,757	3,588	4,365	6,107

Calculations are based on other provinces' tax parameters known as of February 27, 2004.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- Health care insurance premiums are net of premium subsidies.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of \$1,000, \$7,800 and \$13,500 are included in the calculation of personal income tax for the \$30,000, \$60,000 and \$100,000 families, respectively.
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2004

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00 ^a	9.68	8.79	9.80	10.57
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	17.84	15.17	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic amount	(\$)	14,337	8,523	8,264	7,634	8,044	6,275	7,756	7,231	7,412	7,410
Spousal amount	(\$)	14,337	7,298	8,264	6,482	6,830	6,275	6,586	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	11.5 ^a	13.5	17.0	15.5	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5 ^a	13.5	10-17 ^c	15.5	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
- rate	(%)	3.0 ^b	4.5	5.5	5.0	5.5	8.9	3.0	5.0	7.5	5.0
- threshold	(\$000)	400	300	300	360	400	n/a	400	250	250	250
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.25	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45 ^d	3.00	3.00	3.00	4.00
Retail Sales Tax											
	(%)	—	7.5	6.0	7.0	8.0	7.5 ^{e,f}	8.0 ^e	8.0 ^e	10.0 ^e	8.0 ^e
Gasoline Tax											
	(¢/litre)	9.0	14.5 ^g	15.0	11.5	14.7	15.2 ^{g,h}	14.5 ^h	15.5 ^h	14.0	16.5 ^h
Tobacco Tax											
	(\$/carton)	32.00	35.80	32.00 ⁱ	31.00 ⁱ	19.70	20.60	23.50 ⁱ	26.04 ⁱ	29.90	30.00 ⁱ
Payroll Tax											
	(max.%)	—	—	—	2.15	1.95	4.26 ⁱ	—	—	—	2.00

Rates for other provinces known as of February 27, 2004.

- ^a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.
- ^b These rates are effective April 1, 2004. The previous rates were 4.0% for small business and 12.5% for the M&P and general rates.
- ^c The general rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.
- ^d The Quebec financial institutions capital tax includes the base rate of 1.20% and a compensatory tax of 0.25%.
- ^e These provinces' sales taxes are harmonized with the federal GST.
- ^f These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.
- ^g An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.
- ^h These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.
- ⁱ Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2004

(per cent)

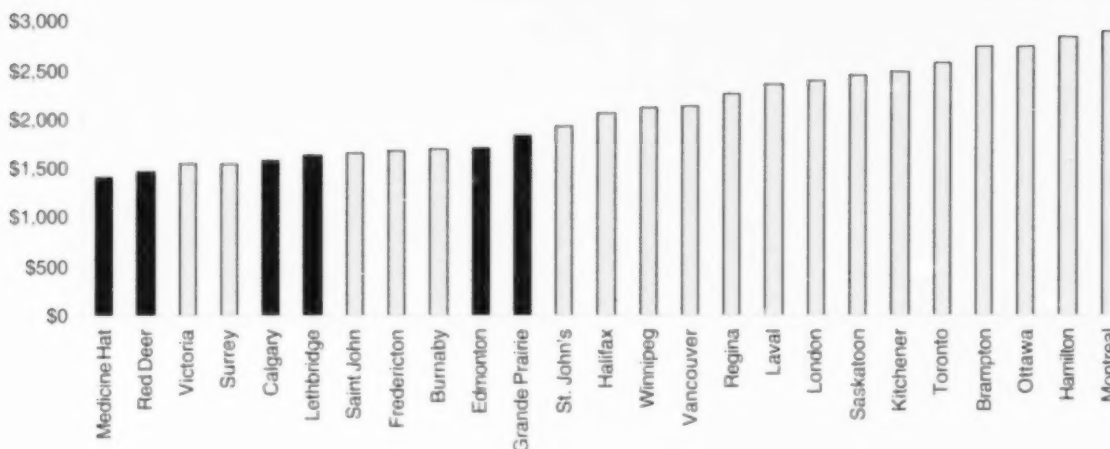
	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.00	17.40	17.41	24.00	17.84	16.69	18.37	19.64
Federal abatement ^a	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	43.70	44.00	46.40	46.41	48.21	46.84	45.69	47.37	48.64

Rates for other provinces known as of February 27, 2004.

- ^a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Net Property Tax for a Single Family Home, 2003

(selected Canadian cities)



Notes:

1. Includes municipal, regional and school taxes, net of any applicable homeowner grants.
2. Taxes are based on the value of a typical single family home, defined as a 25-30 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, finished full basement, double car garage, and a 6,000 square foot lot. Information for Vancouver and Burnaby is based on an average-value home that may differ slightly from the above definition.

Source: City of Edmonton, Planning and Development, 2003 Residential Property Taxes & Utility Charges Survey.

RESPONSE TO THE AUDITOR GENERAL

BUDGET
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Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2002-03 Annual Report and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Cross-Ministry 1. Governance of audit committees We recommend that the Deputy Minister of Executive Council, working through other deputy ministers, take steps to improve audit committee practices in the Alberta Public Sector.	Accepted. The Deputy Minister of Executive Council, working with the Deputy Ministers' Committee, will determine how best to implement this recommendation.
Government of Alberta Annual Report 2. Corporate government accounting policies We again recommend the Department of Finance change corporate government accounting policies to improve accountability (2002 - No. 15).	Accepted in principle. The government's corporate accounting policies continue to be reviewed on an ongoing basis, in consultation with ministries and the Office of the Auditor General.
Agriculture, Food and Rural Development 3. Performance measurement We recommend that the Ministry of Agriculture, Food and Rural Development improve its performance measurement system by: • Reviewing its goals and performance measures to ensure that they reflect the results that the Ministry wants to achieve. • Strengthening the process that the Ministry uses to compile its performance measures.	Accepted. Responsibility for developing a process for assembling complete, accurate and timely performance measurement documentation has now been assigned. A strong process will provide management with the information needed to support performance measurement discussion and decision making. Management expects that as the Ministry's business plan continues to evolve over time, so too will the associated performance measurement framework.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
4. Lack of moisture insurance contracts We recommend the Agriculture Financial Services Corporation award insurance benefits in accordance with its lack of moisture insurance contracts.	Accepted. Agriculture Financial Services Corporation (AFSC) announced on November 5, 2003, that lack of moisture pasture insurance has been cancelled. Effective for the 2004 crop year, AFSC's satellite imagery insurance for pasture will be suspended, pending a solution that can be offered on a province-wide basis.
Children's Services	
5. Strategic management information We recommend that the Ministry of Children's Services improve the Authorities' strategic management information systems.	Accepted. The Ministry continues to strive towards best practices in the areas of information management, forecasting and reporting.
6. First Nation Agency accountability We recommend that the Department of Children's Services improve monitoring of services provided by the Delegated First Nation Agencies.	Accepted. Management is reviewing this area. Strategies that will lead to a common set of criteria used for monitoring and reporting the progress made in providing services to Alberta's children on-reserve will be implemented.
7. First Nation expense recoveries We again recommend that the Ministry of Children's Services improve its systems to recover expenses from providing services to children and families ordinarily resident-on-reserve (2002 - No. 7).	Accepted. With the recent transfer of the billing function from the Alberta Corporate Service Centre to the Ministry, this function will be examined with a view to improving the system to ensure full and timely cost recoveries.
Community Development	
8. Service delivery alternatives We recommend that the Ministry of Community Development evaluate the cost-effectiveness of the service delivery alternatives for operating parks and protected areas.	Accepted. Beginning in 2003-04, the Ministry will conduct periodic reviews of its overall approaches to private sector involvement in park operations, in order to assess the costs and benefits of a range of options.
9. Excluded operations We again recommend that the Ministry of Community Development record in its financial statements all revenues, expenses and surpluses generated through the operation of provincially-owned facilities (2002 -No. 11).	Accepted. The Ministry is developing an action plan to implement this recommendation in 2005-06.

AUDITOR GENERAL'S RECOMMENDATIONS**GOVERNMENT'S RESPONSE****Economic Development**

10. Defining and assessing core businesses

We recommend that the Ministry of Economic Development revise its business plan to clearly demonstrate the desired results each core business is to achieve, and ensure its performance measures demonstrate the Ministry's contribution to results.

Accepted. The 2004-07 business plan will be revised to clearly link core businesses to goals. Goals will be more focused on the desired results of the Ministry's activities, and performance measures will be aligned to the goals. By ensuring a clear linkage between core businesses, goals and performance measures, the Ministry's contribution to results will be demonstrated.

Energy

11. Alberta Royalty Tax Credit (ARTC) program

We recommend that the Department of Energy document and communicate the objectives of the *Alberta Royalty Tax Credit* program and develop measures to assess whether the program is meeting its objectives.

Accepted. The ARTC program was introduced as part of the response to the federal government making Crown royalties a non-deductible expense for federal tax purposes. In light of the recent federal tax change that reverses the original 1974 tax change that prompted the creation of the ARTC, the Department, in conjunction with the Finance and Revenue Departments, is reviewing the effect of the tax change on the value of the ARTC program. Any changes to the ARTC program as a result of this review will be introduced as the legislative schedule permits.

Environment

12. Contaminated sites information systems

We recommend that the Ministry of Environment implement an integrated information system to track contaminated sites in Alberta.

Accepted. A coordinated database for contaminated sites will be developed across all areas of the Department. The initial focus will be on Alberta Environment owned or managed sites. Implementation recommendations are expected in 2003-04.

13. Integrated Resource Management (IRM)

We recommend that the Deputy Minister of Environment, working with the Sustainable Resource Development Coordinating Council:

- plan and report against *Alberta's Commitment to Sustainable Resource and Environment Management* annually to Standing Policy Committee; and
- complete the legislative and regulatory regime review required by the *Commitment*.

Accepted. The Sustainable Development Coordinating Council (SDCC) will discuss this recommendation. The SDCC co-chairs will also be addressing recommendations from the review of Alberta's energy, environmental and resource management regulatory system that has recently been presented to Government. Based on Government recommendations, an implementation plan is expected in 2004-05. There is an opportunity to address several additional deliverables in the Commitment document through this implementation plan.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance 14. Loan concentration limits We recommend that Alberta Treasury Branches provide support for its loan portfolio industry concentration limits. 15. Lending policy compliance We recommend that Alberta Treasury Branches ensure its lenders comply with corporate lending policies. 16. Risk management We again recommend that Alberta Treasury Branches implement an enterprise risk management framework to assist in managing significant risks (2002 - No. 16).	Accepted. Action is being taken this year to document, in more detail, the rationale behind how each concentration limit recommendation is determined. Accepted. A number of actions are being taken this year to improve compliance with lending policies. Although this issue is not expected to be fully resolved this year, progress should be evident by the end of this fiscal year. Accepted. Alberta Treasury Branches continues to be committed to having the framework completed for an operative enterprise risk management process before the end of this fiscal year.
Gaming 17. Gaming products and services We recommend the Alberta Gaming and Liquor Commission (AGLC) implement processes to ensure: • gaming operators buy gaming supplies from registered suppliers. • AGLC buys gaming terminals and gaming supplies only from registered suppliers. 18. Use of proceeds We recommend AGLC implement a process for timely monitoring of licensed groups' use of gaming proceeds.	Accepted. The Alberta Gaming and Liquor Commission has reviewed the list of current gaming terminal suppliers to ensure they are all registered and will put in place processes to ensure that gaming supplies are purchased through a registered or approved manufacturer, supplier or distributor. Accepted. The Alberta Gaming and Liquor Commission will continue to implement its plan to achieve the timely review of licensed groups' use of gaming proceeds reports.
Government Services 19. Project management plan for Registry Renewal Initiative We recommend that the Department of Government Services complete and approve a project management plan for the Registry Renewal Initiative.	Accepted. During 2003-04, the Department will expand and integrate existing project plans into one comprehensive overall plan that will be formally approved and refreshed throughout the life of the project.

AUDITOR GENERAL'S RECOMMENDATIONS**GOVERNMENT'S RESPONSE****20. Performance measures**

We again recommend that the Alberta Corporate Service Centre clearly define its performance measures and improve its processes to track and report results (2002 - No. 22).

Accepted. Work on performance measures was delayed pending collection of additional baseline metrics but can now proceed.

Health and Wellness**21. Performance agreements and business plans**

We again recommend the Department of Health and Wellness ensure performance agreements are in place at the start of the period to which they apply (2002 - No. 23).

Accepted. The Department and the health authorities are continuing to refine specific performance expectations. The Department has made considerable progress in implementing Multi-Year Performance Agreements and expects the agreements to be signed once remaining issues are resolved. This year represents the initial cycle for the Performance Agreement initiative designed to facilitate health reforms and enhance the accountability over the use of public funds. The Department does not expect delays in signing Multi-Year Performance Agreements in the future.

22. Control of, and accountability for, conditional grants

We again recommend the Department of Health and Wellness improve its control processes for ensuring accountability for conditional grants (2002 - page 134).

Accepted. The Department will review its current policies and procedures to ensure there are adequate controls and accountability for restricted funding. This review has begun for 2003-04.

23. Province Wide Services

We recommend that the Department of Health and Wellness and the Province Wide Services Working Group clarify the mandate of the Working Group and improve processes to achieve that mandate.

Accepted. The Department will work with the Province Wide Services Working Group to develop an agreed upon and more detailed terms of reference describing responsibilities and processes for the working group. This process is underway for 2003-04.

Human Resources and Employment**24. Meeting system user needs**

We recommend that the Department of Human Resources and Employment ensure the Contract Management Administration System meets user requirements.

Accepted. An Issues Management Committee and an Issues Co-ordinator role have been established to address the concerns and weaknesses identified. A post-implementation review of the Contract Management Administration System (CMAS) project has commenced, which will assess the implementation and make recommendations to future users of the system. A new version of the CMAS, which will address most of the items identified in the report, is scheduled for implementation in spring 2004.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
25. Economic loss payments We recommend that the Workers' Compensation Board (WCB) strengthen controls in its claim management system for economic loss payments.	Accepted. The Worker's Compensation Board has been implementing changes to its policy and procedures relating to Economic Loss Payments (ELP) to ensure benefit levels are appropriate. Additional staff training and quality assurance controls also have been implemented to improve the quality and outcome of ELP adjudication. The cumulative impact of these changes has strengthened the management controls of ELP benefit decisions throughout 2003.
Infrastructure	
26. Terms and conditions of construction grants We recommend that the Ministry of Infrastructure communicate, and require grant recipients to formally accept, the terms and conditions of construction grants. The terms and conditions should include: • an accountability framework, including roles and responsibilities • the consequences of failing to adhere to the terms and conditions • reporting requirements • the Ministry's right to audit.	Accepted. The Ministry does have grant agreements in place for grant funding for lodges. The Ministry will look at implementing similar agreements for all grant programs for 2004-05. The Ministry will also look towards harmonizing its reporting requirements across all programs, recognizing that varying levels of reporting currently exist. Management will consider implementing an audit requirement for major projects where this requirement does not already exist.
27. Monitoring of construction grants We recommend that the Ministry of Infrastructure strengthen its monitoring processes for construction grants. We also recommend that the Ministry make all construction grant payments through the Consolidated Cash Investment Trust Fund (CCITF) bank account.	Accepted. The Ministry has some opportunity to enhance the monitoring function and will also look towards harmonizing its reporting requirements across all programs. A final statement of funding and expenditures, authorized by a senior official of the school board or health authority, is already required for all projects. The Ministry is also currently assessing the use of CCITF accounts to develop a more consistent approach across all programs.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
28. Physical security of government buildings We recommend that the Ministry of Infrastructure, working with other ministries, improve the security of government buildings and the safety of people who use them by: • identifying resources to lead and coordinate security related activities for and between various ministries • establishing and communicating a minimum standard of security for all buildings • implementing increased levels of security on buildings determined by risk and security assessments to require enhanced protection • monitoring compliance with recommendations made in risk and security assessments.	Accepted. The Ministry will retain a dedicated Head of Security in 2003-04 to work with Alberta Solicitor General, Security Services, to review present practices and to develop and confirm appropriate minimum security standards for various facility categories. Once appropriate practices and standards have been determined, the Ministry will develop a prioritization and action plan in 2004-05 to implement achievable, cost-effective improvements to facility security as required to meet these minimum standards. Where security assessments indicate that enhanced security levels are required at specific sites, the Ministry will coordinate specific priorities and requirements with client ministries.
Innovation and Science 29. IMAGIS governance We again recommend that the Ministry of Innovation and Science formalize and implement an effective accountability framework for IMAGIS (2002 - No. 32).	Accepted. The Deputy Minister intends to make a recommendation in 2003-04 to the Alberta Corporate Service Centre Deputy Minister Committee on the governance and decision making process to address the concerns raised regarding the accountability framework.
30. Systems development We again recommend that the Ministry of Innovation and Science, with the cooperation of other ministries, implement a systems development methodology (2002 - No. 33).	Accepted. Management plans to work with the other ministries to develop and phase in a common set of systems development criteria over the two-year period 2003-05.
Learning 31. Affordability of the Learning system We recommend that the Department of Learning improve one of the core performance measures (public satisfaction with the affordability of the learning system) that reports its progress in delivering high quality learning opportunities. 32. Measurement of results We recommend that the Department of Learning periodically measure whether the tuition fee policy and its related programs are effective in making post-secondary education affordable to students.	Accepted. The Ministry will continue to monitor the public's satisfaction with affordability. Also, the Ministry will consider additional measures to support its information base associated with affordability and accessibility by the 2006-07 business plan cycle. Accepted in principle. The Ministry uses a variety of indicators including tuition, student assistance, graduating debt and survey instruments to measure the effectiveness of the Tuition Fee Policy and its related programs. The Ministry will continue to update these indicators. By 2005-06, the Ministry will enhance its systems and information base.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
33. Tuition Fee Policy compliance We recommend that the Department of Learning require public post-secondary institutions to comply with the Tuition Fee Policy. We also recommend that the Department clarify the methodology for applying the Policy.	Accepted. The Tuition Fee Policy is being reviewed under proposed new legislation in 2003-04. The Ministry will work with post-secondary institutions to ensure they have a clear understanding of any changes to this policy. New review procedures will be implemented to ensure institutions comply with the policy when determining tuition fees for 2004-05.
34. Internal control systems We again recommend that the University of Alberta improve its system of internal control (2000 - No. 35, 2001 - No. 37 and 2002 - No. 40).	Accepted. The target date for fully implementing this recommendation is 2005-06. To improve its internal control systems, the University has initiated work in the research area by amalgamating it into a single office. The University is working on an expanded business support model to address other internal control issues through eight initiatives, of which three have been fully implemented.
35. Internal control systems We again recommend that the University of Calgary improve its internal control systems (2001 - No. 38 and 2002 - No. 43).	Accepted. The target date for achieving this recommendation is 2006-07. Improvement of controls will ultimately require the replacement of core legacy systems along with changes to administrative structures, policies and processes. The University has responded to many of the specific items mentioned in this audit recommendation by making changes to existing procedures and access privileges.
36. Business case analysis We again recommend that the Southern Alberta Institute of Technology improve the business case analysis for major projects (2001 - No. 40).	Accepted. The Institute is committed to maintain additional documentation on future projects.
Municipal Affairs	
37. Acquisition and accounting for capital assets We recommend that the Ministry of Municipal Affairs not record the acquisition of its assets as grant expense. We further recommend that the Ministry not disburse funds for the development of its systems before any development occurs.	Accepted. The recommendations on recording assets and development funding will be implemented in 2003-04.

AUDITOR GENERAL'S RECOMMENDATIONS**GOVERNMENT'S RESPONSE****Revenue**

38. Amount of audit work

We recommend that Tax and Revenue Administration of the Ministry of Revenue decide how much more audit work it should do to minimize the risk of revenue loss from taxpayers and claimants not complying with tax legislation.

Accepted. Tax and Revenue Administration is in the process of updating its assessment of risk of loss in each tax program. Recommendations arising from that assessment will include audit coverage requirements. This will then be considered as input to the 2004-05 audit plan, taking into account the level of resources available to conduct audits.

Seniors

39. Accountability of management organizations

We recommend that the Ministry of Seniors improve its system for monitoring the performance of management organizations that deliver social housing programs for the Ministry.

Accepted. The risk assessment model for selecting management organizations for operational reviews is being adjusted. Documentation from these organizations will be enhanced where needed. Financial accountability of management organizations was maintained at all times.

Solicitor General

40. Contracting of police services

We again recommend that the Department of the Solicitor General implement the plan for provincial policing standards (1998 - No. 34).

Accepted. The Ministry is working towards having Policing Standards implemented by the end of 2003-04.

Transportation

41. Monitoring and auditing

We recommend that the Ministry of Transportation strengthen its monitoring of and audit processes for driver examiners by:

- preparing annual plans for monitoring and auditing examiners
- promptly monitoring and auditing driver examiners, and reporting the results to senior management
- training driver program administrators to identify the risk factors of unethical behaviour and to investigate problem examiners
- making the license renewal process as rigorous as the application process.

Accepted. The Department is addressing these concerns in 2003-04.

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